

**CITY OF ALLEN PARK**  
**WAYNE COUNTY, MICHIGAN**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**JUNE 30, 2004**

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Name (Specify) <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other Allen Park		County Wayne	
Audit Date June 30, 2004	Opinion Date October 29, 2004	Date Accountant Report Submitted to State: December 8, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Darnell & Meyering, P.C.			
Street Address 20600 Eureka Road, Suite 900	City Taylor	State MI	ZIP 48180
Accountant Signature <i>Darnell &amp; Meyering, P.C.</i>			

CITY OF ALLEN PARK  
Comprehensive Annual Financial Report  
Table of Contents  
July 1, 2003 to June 30, 2004

FINANCIAL SECTION

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements:	
Government – Wide Financial Statements	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements	
Balance Sheet – Governmental Funds	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Net Assets – Proprietary Funds	16-17
Statement of Revenues, Expense and Changes in Net Assets- Proprietary Funds	18
Proprietary Fund Type Statements of Cash Flows	19
Statement of Net Assets – Fiduciary Funds	20
Statement of Changes in Net Assets – Fiduciary Funds	21
Statement of Net Assets – Component Units	22
Statement of Activities – Component Units	23

CITY OF ALLEN PARK  
Comprehensive Annual Financial Report  
Table of Contents  
July 1, 2003 to June 30, 2004  
(continued)

	<u>Page</u>
Notes to Financial Statements	24-48
 REQUIRED SUPPLEMENTAL INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	49-50
 SUPPLEMENTAL INFORMATION	
Combining Statement of Assets and Liabilities	51
Combining Balance Sheet – Nonmajor Governmental Funds	52
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Nonmajor Governmental Funds	53
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Motor Vehicle Highway Fund – Major	54-55
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Motor Vehicle Highway Fund – Local	56-57
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Downriver Sewage Fund	58
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Sidewalk Fund	59
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Building Fund	60

CITY OF ALLEN PARK  
Comprehensive Annual Financial Report  
Table of Contents  
July 1, 2003 to June 30, 2004  
(continued)

	<u>Page</u>
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Drug Law Enforcement Fund	61
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Retirement Fund - Ecorse Creek Pollution Abatement Drain No. 1, Phase 1	62
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Retirement Fund - Ecorse Creek Pollution Abatement Drain No. 1, Phase 2	63
Statement of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual – Downriver Sewage Debt Fund	64
Statement of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Improvement Fund	65
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Community Center Construction	66
Statement of Revenues and Expenses – Budget and Actual – Water and Sewer Fund	67
Statement of Revenues, Expenses and Changes in Net Assets – Water and Sewer Fund – Ecorse Creek Basin	68
Statement of Revenues, Expense and Changes in Net Assets – Budget and Actual - Water and Sewer Fund – Ecorse Creek Basin	69
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Downtown Development Authority Fund	70
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Downtown Development Authority Fund - 1992 D.D.A. Bond Debt Retirement Fund	71

# DARNELL & MEYERING, P.C.

*Certified Public Accountants*

20600 EUREKA ROAD • SUITE 900

TAYLOR, MICHIGAN 48180

(734) 246-9240

FAX (734) 246-8635

CLINTON MEYERING, C.P.A.  
RANDALL H. DARNELL, C.P.A.  
DALE A. VESTRAND, C.P.A.  
WENDY L. ZOKOE, C.P.A.

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

## **Independent Auditors' Report**

To the Mayor and Elected Officials of the Council  
City of Allen Park  
16850 Southfield Road  
Allen Park, MI 48101

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Allen Park as of and for the year ended June 30, 2004 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Allen Park's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

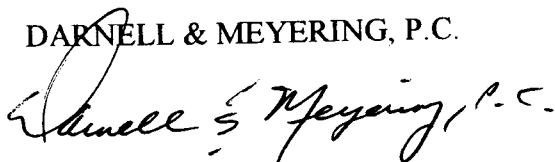
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Allen Park, as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on page 3-10 and 50-52, are not a required part of the basic financial statements but are supplementary information required by Accounting Principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and

presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Allen Park's basic financial statements. The accompanying supplementary information, such as the introductory section, combining and individual fund financial statements and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The relevant supplementary information, such as the combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statement taken as a whole.

DARNELL & MEYERING, P.C.

A handwritten signature in cursive script, appearing to read "Darnell & Meyering, P.C.", written over the printed name.

October 29, 2004

**City of Allen Park**  
**Management's Discussion and Analysis (MD&A)**  
**Year ended June 30, 2004**

The management of the City of Allen Park presents this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004. The City encourages readers to consider the information presented here in conjunction with the additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The assets of the City of Allen Park exceeded its liabilities at the close of the most recent fiscal year by \$109,056,971 (net assets). Of this amount \$3,235,443 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$3,933,970. This decrease was due largely to the inclusion of depreciation expense for future capital asset replacement of \$3,917,459.
- As of the close of the current fiscal year, the City of Allen Park's governmental funds reported combined ending fund balances of \$3,290,780 a decrease of \$4,981,564 in comparison of the prior year. This decrease was largely due to \$5,075,308 of Capital Outlay. Approximately \$802,776 is available for spending at the government's discretion.
- At the end of the current fiscal year, unreserved fund balance for the general fund was applied to the subsequent year budget.
- The city of Allen Parks total debt increased by \$1,796,682 (5%). The key factor in this increase was the issuance of additional general obligation bonds of \$1,575,000 for the new community center.
- State-shared revenue, our second largest revenue source, was reduced by the State of Michigan by approximately \$330,000 this year, which resulted in a percentage decline of 10.12% over the previous year. This is approximately \$900,000 lower than the State's constitutional and statutory formula dictates. To offset this reduction in State-shared revenue, the City has left vacant positions unfilled, made cuts to departmental budgets, and put several major projects on hold.
- A concerted effort was focused on holding down other expenditures to balance considerable increases in medical benefits and a three (3) percent salary increase pursuant to the various union contracts.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.



The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. (e.g., uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguished functions of the City of Allen Park that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Allen Park include general government, public safety, highways and streets, sanitation, recreation and culture. The business-type activities of the City of Allen Park include Water and Sewer.

The government-wide financial statements include not only the City of Allen Park itself (known as the primary government), but also a legally separate Downtown Development Authority, Building Authority and Housing Commission for which the City of Allen Park is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The Water and Sewer Fund, although also legally separate, functions for all practical purposes as a department of the City of Allen Park, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 11-12 of this report.

The government-wide financial statements outline functions of the City that are principally supported by revenues received from the State of Michigan and the taxpayers of the City of Allen Park.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into six categories. They are:

- A. General Government.
- B. Special Revenue – major and local streets, revolving sidewalk, building, Downtown Development Authority, drug law enforcement and downriver sewage\*.
- C. Debt Service – downriver sewage debt retirement\*, Community Center bond debt retirement, downtown development authority bond debt retirement, Ecorse Creek Drain Phase #1 and Phase #2\*.
- D. Capital Projects – capital improvements (general)\* and the community center construction fund.
- E. Enterprise – water & sewer.
- F. Trust and Agency – employee retirement funds, employee sick pay fund\*, payroll fund and tax collection fund.

\* - Funds were closed as of 6/30/04

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Allen Park maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the Community Center Construction fund, both of which are considered to be major funds. Data from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Allen Park adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13-15 of this report.

**Proprietary funds.** The City of Allen Park maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Allen Park uses enterprise funds to account for its Water and Sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 16-19 of this report.

**Fiduciary Funds.** The trust and agency funds are fiduciary funds used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Allen Park's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 20-21 of this report.

**Notes to the financial statements.** The notes provided additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-49 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report

also presents certain required supplementary information, which is the budgetary comparison schedule of the major funds. Required supplementary information can be found on pages 50-52 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements can be found on pages 53-72 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$94,096,417 as of June 30, 2004.

The largest portion of the City's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to the public; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's financial position is the product of a number of transactions including the net results of its activities, the payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Assets for the two periods ended June 30, 2003 & 2004:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2003	2004	2003	2004	2003	2004
<b>Assets</b>						
Current Assets	\$ 9,151,753	\$ 4,495,023	\$ 7,367,452	\$ 7,002,565	\$ 16,519,205	\$ 11,497,588
NonCurrent Assets	97,693,072	99,316,100	38,777,265	38,942,135	136,470,337	138,258,235
<b>Total Assets</b>	<b>106,844,825</b>	<b>103,811,123</b>	<b>46,144,717</b>	<b>45,944,700</b>	<b>152,989,542</b>	<b>149,755,823</b>
<b>Liabilities and Net Assets</b>						
Current Liabilities	1,031,925	1,541,592	4,391,070	4,466,272	5,422,995	6,007,864
NonCurrent Liabilities	6,516,298	8,173,114	28,059,310	26,517,874	34,575,608	34,690,988
<b>Total Liabilities</b>	<b>7,548,223</b>	<b>9,714,706</b>	<b>32,450,380</b>	<b>30,984,146</b>	<b>39,998,603</b>	<b>40,698,852</b>
<b>Net Assets</b>						
Invested in Capital Assets						
Net of Related Debt	92,768,072	92,816,100	9,289,936	10,951,836	102,058,008	103,767,936
Contributed Capital	-	-	939,764	939,764	939,764	939,764
Restricted	-	-	600,000	1,113,828	600,000	1,113,828
Unrestricted	6,528,530	1,280,317	2,864,637	1,955,126	9,393,167	3,235,443
<b>Total Net Assets</b>	<b>\$ 99,296,602</b>	<b>\$ 94,096,417</b>	<b>\$ 13,694,337</b>	<b>\$ 14,960,554</b>	<b>\$ 112,990,939</b>	<b>\$ 109,056,971</b>

Total Net Assets for the FYE 6/30/04 were \$109,056,971, representing a decline of \$3.9 million. This was a result of many factors including a \$1.575 million bond issue for the community center, continued decreases in State shared revenue and rising employee benefit costs.

The following table presents a summary of revenue and expense for the fiscal years ended June 30, 2003 & 2004.

Changes in Net Assets for the two periods ended June 30, 2003 & 2004:

	Governmental		Business-Type		Total	
	Activities		Activities		Primary Government	
	2003	2004	2003	2004	2003	2004
<b>Revenues</b>						
General Revenues	\$20,686,965	\$20,643,105	\$2,457,229	\$2,796,694	\$23,144,194	\$23,439,799
Charges for Services	3,565,333	3,475,384	6,477,006	5,555,563	10,042,339	9,030,947
Operating Grants & Contributions	183,778	98,044	-	-	183,778	98,044
Capital Grants & Contributions	26,679	208,200	-	-	26,679	208,200
<b>Total Revenues</b>	<b>24,462,755</b>	<b>24,424,733</b>	<b>8,934,235</b>	<b>8,352,257</b>	<b>33,396,990</b>	<b>32,776,990</b>
<b>Program Expenses including Indirect Expenses</b>						
General Government	10,131,953	11,512,609	-	-	10,131,953	11,512,609
Public Safety	7,235,289	6,978,468	-	-	7,235,289	6,978,468
Highways and Streets	4,350,963	3,806,103	-	-	4,350,963	3,806,103
Sanitation	1,475,036	1,380,471	-	-	1,475,036	1,380,471
Recreation & Culture	1,827,802	1,750,651	-	-	1,827,802	1,750,651
Interest Expense	44,114	279,159	-	-	44,114	279,159
Unallocated Depreciation Expense	3,103,602	3,917,459	-	-	3,103,602	3,917,459
Water and Sewer	-	-	6,952,534	7,086,040	6,952,534	7,086,040
<b>Total Expenses</b>	<b>28,168,759</b>	<b>29,624,920</b>	<b>6,952,534</b>	<b>7,086,040</b>	<b>35,121,293</b>	<b>36,710,960</b>
<b>Change in Net Assets</b>	<b><u>\$(3,706,004)</u></b>	<b><u>\$(5,200,187)</u></b>	<b><u>\$1,981,701</u></b>	<b><u>\$1,266,217</u></b>	<b><u>\$(1,724,303)</u></b>	<b><u>\$(3,933,970)</u></b>

### Comments on Budget Comparison

- General fund budget expenditures compared to actual varied slightly from line item to line item with the ending actual balance being \$36,216 more than budget or approximately .3%.

### General Fund Revenue

The majority of revenue was derived from tax collections and state shared revenues. Some miscellaneous revenue is received from interest income, recreation fees, district court revenue, ambulance transport fees, business licenses, rents and royalties.

**Business-Type Activities.** Business-type activities increased the City of Allen Park's net assets by \$1,266,217, accounting for all of the total growth in the government's net assets. Key elements of this increase are as follows.

- Charges for services for business-type activities remained the same for Water and Sewer. Revenues also decreased as a result of a decrease in demand.

## **Financial Analysis of the Government's Funds**

As noted earlier, the City of Allen Park uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City of Allen Park's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Allen Parks financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Allen Park's governmental funds reported combined ending fund balances of \$3,290,780 a decrease of \$4,981,564 in comparison with the prior year. \$1,848,470 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) the subsequent year budget, 2) Prepaid expenditures.

The general fund is the chief operating fund of the City of Allen Park. At the end of the current fiscal year, unreserved fund balance of the general fund was \$0, while total fund balance reached \$1,023,700. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

**Proprietary funds.** The City of Allen Park's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer fund at the end of the year amounted to \$1,955,126. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Allen Park's business-type activities.

### **Budget Allocation**

The General Fund pays for most of the City's governmental services. The most significant are police and fire, which incurred expenses of approximately \$7 million in 2004, not including health insurance and retirement contributions. Other government services accounted for in the General Fund includes general government (City Clerk, Administration, Treasurer) Department of Public Service and Recreation. General Fund expenditures increased by approximately \$1.8 million due to increases in health care costs and retirement contributions.

### **Budgetary Implications**

The budget is impacted by a number of factors that are outside the City's control. The City in recent years has experienced a decline in the State Shared Revenues received by the State of Michigan. Those State Shared revenues have a significant impact on the ability of the City to provide much needed services to its citizens. Additionally, the City has experienced a 20% increase in the health care premiums for its employee's as well as its eligible retiree's.

Due to Proposal A limitations and the Headlee Amendment, the growth of tax revenues other than property transfers is limited to the consumer Price Index (CPI) for the corresponding year. Lastly, the City has experienced a 3% increase in employee wages due to present Union Contracts that are presently in place.

## Capital Asset and Debt Administration

**Capital assets.** The City of Allen Park's investment in capital assets for its governmental and business type activities as of June 30, 2004 amounts to \$138,231,236 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City of Allen Park's investment in capital assets for the current fiscal year was 8 percent (a 3 percent increase for governmental activities and a 5 percent increase for business-type activities.)

Major capital asset events during the current fiscal year included the following:

- Construction continued on the new community center, construction in progress as of the close of the fiscal year had reached \$5,500,252.
- Various building and system additions and improvements were completed in the Water and Sewer Authority at a cost of \$1,831,823.

The following information represents data about capital assets. More detailed information about capital assets can be found in Note 5 to the financial statements. Total depreciation expense for the year was \$3,917,459 for governmental activities and \$1,060,387 for business activities.

### City of Allen Park's Capital Assets (Net of Depreciation)

	Governmental Activities	Business-Type Activities	Total
Land	\$ 39,894,223	\$ -	\$ 39,894,223
Construction in Progress	5,500,252	200,913	5,701,165
Building & Site	1,356,212	38,292,459	39,648,671
Leasehold Imp.	42,132	-	42,132
Land Imp.	1,128,699	-	1,128,699
Furniture & Equipment	1,209,019	421,763	1,630,782
Vehicles	527,929	-	527,929
Infratructure	49,657,634	-	49,657,634
Totals	<u>\$ 99,316,100</u>	<u>\$ 38,915,135</u>	<u>138,231,235</u>

During the fiscal year ended June 30, 2004, the City sold bonds in the amount of \$1,575,000 for the construction of the Community Center. The following table presents information regarding the outstanding debt:

	Governmental Activities	Business-Type Activities	Total
General Obligation Bonds	\$ 6,500,000	\$ 1,975,000	\$ 8,475,000
Judgement Bonds	-	25,988,299	25,988,299
Compensated Absences	1,907,993	100,518	2,008,511
Totals	<u>\$ 8,407,993</u>	<u>\$ 28,063,817</u>	<u>\$ 36,471,810</u>

### **Economic Factors and Next Year's Budget**

The City's budget for the fiscal year ending June 30, 2005 has taken on a new look. It will account for departments as "cost centers", charging all direct and indirect costs to its specific department. It also takes into consideration another potential decrease in State-shared revenue and a cautious economic climate. Due to the impact of state legislation (Proposal A), an increase in property tax revenue as a result of increasing taxable value will be small. The statewide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the City will grow less than by inflation, before considering new property additions. As a result the budget will call for further cuts in expenditures and the City will need to continue to watch the budget very closely.

### **Contacting the City's Management**

This financial report is intended to provide citizens, taxpayers, customers and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. For additional questions about this report or additional information, requests should be directed to the City Administrator (313) 928-2473 or mail to 16850 Southfield Road, Allen Park, MI 48101.

City of Allen Park  
Statement of Net Assets  
June 30, 2004

	Governmental Activities	Business-type Activities	Total	Component Units
<b>Assets</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 3,395,829	\$ 2,784,439	\$ 6,180,268	\$ 2,302,457
Investments	-	-	-	135,186
Receivables:				
Taxes (Net)	90,996	443,682	534,678	-
Accounts	-	572,974	572,974	-
Other	6,515	-	6,515	29,177
Due From Agency Funds	1,083	-	1,083	-
Due From Component Unit	216,355	-	216,355	-
Due From Other Governments	291,250	78	291,328	-
Internal Balances, Governmental & Business-type	963	76,760	77,723	-
Inventory	-	103,822	103,822	165
Prepaid Expenditures	492,032	1,834,828	2,326,860	22,643
Restricted Cash and Cash Equivalents	-	1,184,482	1,184,482	-
Current Portion of Unamortized Issue Costs	-	1,500	1,500	-
<b>Total Current Assets</b>	<b>4,495,023</b>	<b>7,002,565</b>	<b>11,497,588</b>	<b>2,489,628</b>
<b>Noncurrent Assets</b>				
Capital Assets	186,717,967	49,158,289	235,876,256	5,616,779
Less Accumulated Depreciation	(87,401,867)	(10,243,154)	(97,645,021)	-
Unamortized Issue Costs	-	27,000	27,000	-
<b>Total Noncurrent Assets</b>	<b>99,316,100</b>	<b>38,942,135</b>	<b>138,258,235</b>	<b>5,616,779</b>
<b>Total Assets</b>	<b>\$ 103,811,123</b>	<b>\$ 45,944,700</b>	<b>\$ 149,755,823</b>	<b>\$ 8,106,407</b>
<b>Liabilities And Net Assets</b>				
<b>Current Liabilities</b>				
Accounts Payable	829,820	719,598	1,549,418	19,818
Accrued Salaries Payable	157,613	-	157,613	-
Accrued Liabilities - Other	-	-	-	45,612
Due to Agency Fund	1,374	184	1,558	-
Due to Primary Government	-	-	-	216,355
Deferred Revenue	-	1,678,709	1,678,709	-
Advances from Other Governments	-	343,927	343,927	-
Accrued Interest Payable	80,971	176,948	257,919	-
Internal Balances, Governmental & Business-type	76,760	963	77,723	-
Escrow Funds and Deposit	160,175	-	160,175	-
Current Portion of Compensated Absences	209,879	10,052	219,931	-
Current Portion of Bonds Payable	25,000	1,535,891	1,560,891	315,000
<b>Total Current Liabilities</b>	<b>1,541,592</b>	<b>4,466,272</b>	<b>6,007,864</b>	<b>596,785</b>
<b>Noncurrent Liabilities</b>				
Compensated Absences	1,698,114	90,466	1,788,580	-
Bonds Payable, Net of Current Portion	6,475,000	26,427,408	32,902,408	3,125,000
<b>Total Noncurrent Liabilities</b>	<b>8,173,114</b>	<b>26,517,874</b>	<b>34,690,988</b>	<b>3,125,000</b>
<b>Total Liabilities</b>	<b>9,714,706</b>	<b>30,984,146</b>	<b>40,698,852</b>	<b>3,721,785</b>
<b>Net Assets:</b>				
Invested in Capital Assets Net of Related Debt	92,816,100	10,951,836	103,767,936	2,176,779
Contributed Capital	-	939,764	939,764	-
Restricted for:				
Sewer Basin	-	600,000	600,000	-
Future Sewer Mains	-	513,828	513,828	-
Debt Retirement	-	-	-	505,192
Unrestricted	1,280,317	1,955,126	3,235,443	1,702,651
<b>Total Net Assets</b>	<b>94,096,417</b>	<b>14,960,554</b>	<b>109,056,971</b>	<b>4,384,622</b>

The accompanying notes are an integral part of the financial statements.



City of Allen Park  
Statement of Activities  
Year Ended June 30, 2004

Functions/programs	Program Revenues				Net (expense) Revenue and Changes in Net Assets			
	Expenses	Charges for		Capital Grants and Contributions	Primary Government			Component Units
		Services	Operating Grants & Contributions		Governmental Activities	Business-Type Activities	Total	
Governmental activities:								
General Government	\$ 11,512,609	\$ 214,311	\$ 91,660	\$ 208,200	\$ (10,998,438)	-	\$ (10,998,438)	-
Public Safety	6,978,468	882,212	6,384	-	(6,089,872)	-	(6,089,872)	-
Highway and Streets	3,806,103	1,807,850	-	-	(1,998,253)	-	(1,998,253)	-
Sanitation	1,380,471	-	-	-	(1,380,471)	-	(1,380,471)	-
Recreation and Culture	1,750,651	571,011	-	-	(1,179,640)	-	(1,179,640)	-
Interest Expense	279,159	-	-	-	(279,159)	-	(279,159)	-
Unallocated Depreciation Expense	3,917,459	-	-	-	(3,917,459)	-	(3,917,459)	-
Total Governmental Activities	29,624,920	3,475,384	98,044	208,200	(25,843,292)	-	(25,843,292)	-
Business-type activity:								
Water and Sewer	7,086,040	5,555,563	-	-	-	(1,530,477)	(1,530,477)	-
Total Primary Government	\$ 36,710,960	\$ 9,030,947	\$ 98,044	\$ 208,200	\$ (25,843,292)	\$ (1,530,477)	\$ (27,373,769)	\$ -
Component Units:								
Downtown Development Authority	733,499	-	-	-	-	-	-	(733,499)
Building Authority	99,286	-	-	-	-	-	-	(99,286)
Housing Commission	181,154	162,656	58,586	-	-	-	-	40,088
Total Component Units:	\$ 1,013,939	\$ 162,656	\$ 58,586	\$ -	\$ -	\$ -	\$ -	\$ (792,697)

General Revenues:				
Property taxes	11,735,662	1,543,865	13,279,527	1,045,687
State-Shared Revenues	4,378,598	-	4,378,598	-
Intergovernmental	-	-	-	190,000
Investment Earnings	169,382	36,476	205,858	18,256
Miscellaneous	5,162,847	326,857	5,489,704	37,021
Special Item - Gain (Loss) on Sale of Capital Assets	(23,288)	109,400	86,112	161,430
Transfers	(780,096)	780,096	-	-
Total General Revenues	20,643,105	2,796,694	23,439,799	1,452,394
Change in Net Assets	(5,200,187)	1,266,217	(3,933,970)	659,697
Net Assets - Beginning	99,296,604	13,694,337	112,990,941	3,724,925
Net Assets - Ending	\$ 94,096,417	\$ 14,960,554	\$ 109,056,971	\$ 4,384,622

The accompanying notes are an integral part of the financial statements.

City of Allen Park  
Balance Sheet  
Governmental Funds  
June 30, 2004

	General Fund	Community Center Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 1,046,383	\$ 984,067	\$ 1,365,379	\$ 3,395,829
Receivables:				
Taxes	109,319	-	3,176	112,495
Other	105,203	-	-	105,203
Due From Other Funds	639,426	425,328	1,257	1,066,011
Due From Other Governments	291,250	-	-	291,250
Prepaid Expenditures	328,344	65,000	-	393,344
<b>Total Assets</b>	<b>\$ 2,519,925</b>	<b>\$ 1,474,395</b>	<b>\$ 1,369,812</b>	<b>\$ 5,364,132</b>

**Liabilities and Fund Balances:**

<b>Liabilities:</b>				
Accounts Payable	700,232	35,357	94,231	829,820
Accrued Payroll	157,613	-	-	157,613
Due To Other Funds	478,195	-	447,549	925,744
Escrow Funds and Deposit	160,175	-	-	160,175
<b>Total Liabilities</b>	<b>1,496,215</b>	<b>35,357</b>	<b>541,780</b>	<b>2,073,352</b>

**Fund Balances:**

Reserved for:				
Prepaid Expenditures	328,344	65,000	-	393,344
Subsequent Years	695,366	-	353,600	1,048,966
Unreserved	-	1,374,038	474,432	1,848,470
<b>Total Fund Balances</b>	<b>1,023,710</b>	<b>1,439,038</b>	<b>828,032</b>	<b>3,290,780</b>

<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,519,925</b>	<b>\$ 1,474,395</b>	<b>\$ 1,369,812</b>	<b>\$ 5,364,132</b>
--	---------------------	---------------------	---------------------	---------------------

Total Governmental Fund Balances	3,290,780
Allowance for uncollectible accounts is not included as a contra asset in government funds	(21,499)

Amounts reported for governmental activities in the statement of  
net assets are different because:

Capital assets used in governmental activities are financial resources and are not reported in the funds	
The cost of capital assets is	186,717,967
Accumulated depreciation is	(87,401,867)
	99,316,100

Long term liabilities are not due and payable in the current  
period and are not reported in the funds

Compensated absences and severance benefits	(1,907,993)
Long term obligations	(6,500,000)
Accrued interest payable is not included as a liability in governmental funds	(80,971)

<b>Net assets of governmental activities</b>	<b>\$ 94,096,417</b>
--	----------------------

The accompanying notes are an integral part of the financial statements.

City of Allen Park  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
June 30, 2004

	General Fund	Community Center Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 10,664,729	\$ -	\$ 182,388	\$ 10,847,117
In Lieu of Taxes	953,295			953,295
Intergovernmental:				-
State	4,361,592	450,000	1,824,856	6,636,448
Federal and State Grants	98,044	-	-	98,044
District Court	2,548,342	-	-	2,548,342
Local Sources	208,200	-	34,043	242,243
Fees	1,500,981	-	245,083	1,746,064
Interest Income	122,049	25,464	21,869	169,382
Other Revenue	1,816,917	-	251,583	2,068,500
<b>Total Revenues</b>	<u>22,274,149</u>	<u>475,464</u>	<u>2,559,822</u>	<u>25,309,435</u>
<b>Expenditures:</b>				
Current:				
Sanitation	1,380,471	-	-	1,380,471
General Government	10,714,725	-	707,141	11,421,866
Public Safety	6,998,940	-	-	6,998,940
Highway and Streets	1,802,258	-	2,003,845	3,806,103
Recreation and Culture	2,015,255	-	-	2,015,255
Debt Service:				
Principal retirements	-	-	-	-
Interest	-	12,498	210,296	222,794
Capital Outlay	-	5,075,308	151,218	5,226,526
<b>Total Expenditures</b>	<u>22,911,649</u>	<u>5,087,806</u>	<u>3,072,500</u>	<u>31,071,955</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(637,500)</u>	<u>(4,612,342)</u>	<u>(512,678)</u>	<u>(5,762,520)</u>
<b>Other Financing Sources (Uses):</b>				
Transfer In	136,698	-	1,062,643	1,199,341
Transfer Out	(277,073)	(23,676)	(1,678,688)	(1,979,437)
Future Levy Adjustment	-	-	(13,948)	(13,948)
Bond Proceeds	-	1,575,000	-	1,575,000
<b>Total Other Financing Sources (Uses):</b>	<u>(140,375)</u>	<u>1,551,324</u>	<u>(629,993)</u>	<u>780,956</u>
Net Change in Fund Balances	(777,875)	(3,061,018)	(1,142,671)	(4,981,564)
<b>Fund Balances</b>				
Beginning of Year	1,801,585	4,500,056	1,970,703	8,272,344
<b>End of Year</b>	<u>\$ 1,023,710</u>	<u>\$ 1,439,038</u>	<u>\$ 828,032</u>	<u>\$ 3,290,780</u>

The accompanying notes are an integral part of the financial statements.

City of Allen Park  
Reconciliation of the Statement of Revenues,  
Expenditures and Changes in Fund Balances of Governmental Funds  
To the Statement of Activities  
Year Ended June 30, 2004

Net change in fund balances total governmental funds	\$ (4,981,564)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation. Losses and gains on disposals of assets are not used in governmental funds.	
Depreciation expense	(3,917,458)
Capital outlay	5,566,395
Loss on asset disposals	(23,288)
Proceeds from sale of assets	(2,620)
Accrued interest payable beginning of the year	24,606
Accrued interest payable end of the year	(80,971)
Amounts recorded as revenue in current year on fund statements not on statement of activities.	(64,750)
Allowance for uncollectible personal property tax beginning of the yr	11,200
Allowance for uncollectible personal property tax end of the yr	(21,499)
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when the financial resources are used in the governmental funds:	
Accrued compensated absences beginning of the year	1,772,755
Accrued compensated absences end of the year	(1,907,993)
Proceeds from debt issues are in other financing sources in the funds, but a debt issue increases long-term liabilities in the Statement of Net Assets	(1,575,000)
Change in net assets of governmental activities	<u>\$ (5,200,187)</u>

The accompanying notes are an integral part of the financial statements.

City of Allen Park  
Proprietary Fund  
Statement of Net Assets  
June 30, 2004

**Assets:**

**Current Assets**

Cash and Cash Equivalents		\$ 2,784,239	
Petty Cash		200	
Customers Accounts Receivable		572,974	
Due from General Fund		76,760	
Due from Wayne County		78	
Tax Roll:			
Current	\$ 431,724		
Delinquent	11,958	443,682	
Inventory		103,822	
Prepaid Bond Expense		1,834,828	
Bond discount, net of amortization of \$750		28,500	
<b>Total Current Assets</b>			\$ 5,845,083

**Noncurrent Assets**

Restricted Cash and Cash Equivalents - basin/sewer account		870,329	
General obligation bonds debt retirement fund		314,153	
Capital Assets		49,158,289	
Less: Accumulated Depreciation		(10,243,154)	
<b>Total Noncurrent Assets</b>			<u>40,099,617</u>
<b>Total Assets</b>			<u><u>\$ 45,944,700</u></u>

The accompanying notes are an integral part of the financial statements.

City of Allen Park  
Proprietary Fund  
Statement of Net Assets  
June 30, 2004

**Liabilities:**

**Current Liabilities**

Accounts Payable	\$ 715,082	
Accrued Interest Payable	176,948	
Other Payable	4,516	
Deferred Revenue	1,678,709	
Due to Tax Collection Fund	184	
Due to General Fund	963	
EPA Judgment Advances	343,927	
Compensated Absences Payable	10,052	
Current Portion of Long Term Debt	1,535,891	
<b>Total Current Liabilities</b>		<u>\$ 4,466,272</u>

**Long Term Liabilities**

Compensated Absences Payable	90,466	
Bonds Payable SRF	25,988,299	
General Obligation Bonds Payable	1,975,000	
Less: Current Portion of Long Term Debt	(1,535,891)	
<b>Total Long Term Liabilities</b>		<u>26,517,874</u>
<b>Total Liabilities</b>		<u>30,984,146</u>

**Net Assets:**

Invested in Capital Assets - Net of Related Debt		10,951,836
Contributed Capital-Sewer Grants		939,764
Restricted For:		
Replacement - Basin/Sewer	600,000	
Future Sewer Mains	513,828	
Unrestricted	1,955,126	
		<u>3,068,954</u>
<b>Total Net Assets</b>		<u><u>\$ 14,960,554</u></u>

The accompanying notes are an integral part of the financial statements.

City of Allen Park  
Proprietary Fund  
Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended June 30, 2004

	<u>Water and Sewer Fund</u>
<b>Operating Revenues</b>	
Water Sales	\$ 2,503,168
Sewage Disposal Services	2,963,215
Penalties	89,180
<b>Total Operating Revenues</b>	<u>5,555,563</u>
<b>Operating Expenses</b>	
Operating Costs	3,350,281
Personal Services	1,010,746
Utilities	48,500
Repairs and Maintenance	834,125
Other Supplies and Expenses	225,667
Depreciation	1,060,387
<b>Total Operating Expenses</b>	<u>6,529,706</u>
Operating Income (Loss)	<u>(974,143)</u>
<b>Nonoperating Revenues (Expenses)</b>	
Interest and Investment Revenue	36,476
Interest Expense	(498,711)
Intergovernmental Charges	(57,623)
Transfers In	780,096
Miscellaneous Revenue	326,857
Gain or Loss on Sale of Assets	109,400
Consent Judgement - Sewers	1,543,865
<b>Total Nonoperating Revenue (Expense)</b>	<u>2,240,360</u>
Change in Net Assets	1,266,217
Total Net Assets - Beginning	<u>13,694,337</u>
<b>Total Net Assets - Ending</b>	<u><u>\$ 14,960,554</u></u>

The accompanying notes are an integral part of the financial statements.

City of Allen Park  
Proprietary Fund  
Statement of Cash Flows  
For Fiscal Year Ended June 30, 2004

	Water and Sewer Fund
<b>Cash Flows From Operating Activities:</b>	
Receipts from Customers	\$ 5,706,717
Payments to Suppliers	(5,575,146)
Penalties Received	89,180
<b>Net Cash Provided by Operating Activities</b>	<u>220,751</u>
<b>Cash Flows from Non-Capital Activities:</b>	
Intergovernmental charges	(57,623)
Consent Judgement Revenue	1,543,865
Miscellaneous Revenue	326,857
Transfers from other Funds	1,027,197
<b>Net Cash Provided by Non-Capital Activities:</b>	<u>2,840,296</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Principal and Interest Paid on Bonds	(1,855,884)
Proceeds from sale of Fixed Assets	109,400
Purchase of Fixed Assets	(1,226,006)
Decrease in Restricted Assets	1,358,402
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<u>(1,614,088)</u>
<b>Cash Flows From Investing Activities:</b>	
Investment Interest	36,482
<b>Net Cash Provided by Investing Activities</b>	<u>36,482</u>
Net Increase in Cash and Cash Equivalents	1,483,441
Beginning Cash and Equivalents, July 1, 2003	1,300,998
<b>Ending Cash &amp; Equivalents, June 30, 2004</b>	<u><u>\$ 2,784,439</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used)</b>	
<b>By Operating Activities:</b>	
Operating (Loss)	\$ (974,143)
<b>Adjustment to Reconcile Operating Income to Net Cash Provided</b>	
<b>By Operating Activities:</b>	
Depreciation	1,060,387
<b>Change in Assets and Liabilities:</b>	
Accounts Receivable - Net	234,789
Tax Roll	5,545
Inventory	(63)
Accounts Payable	(99,126)
Compensated Absences Payable	(6,638)
<b>Total Adjustments</b>	<u>1,194,894</u>
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 220,751</u></u>

The accompanying notes are an integral part of the financial statements.



City of Allen Park  
Fiduciary Funds - Statement of Net Assets  
Year Ended June 30, 2004

	Pension Trust	Agency Funds
<b>Assets:</b>		
Cash and Cash Equivalents	\$ 1,294,375	\$ 530,421
Accounts receivable - other	-	15,392
Due From Other Funds	-	1,559
Accrued Interest and Dividends	342,480	-
Investments - at Fair Value		
U.S. Government Obligations	12,142,151	-
Domestic Stocks	38,031,608	-
Mortgage Backed Securities	438,698	-
Bonds	13,079,201	-
Short-term Investments	6,591,363	-
Total Investments	<u>70,283,021</u>	<u>-</u>
<b>Total Assets</b>	<u>71,919,876</u>	<u>547,372</u>
<b>Liabilities:</b>		
Due to Other Funds	-	1,084
Withholding payables	-	21,824
Payable to Other Gov. Agencies	-	524,464
<b>Total Liabilities</b>	<u>-</u>	<u>547,372</u>
<b>Net Assets:</b>		
Held in Trust for Pension Benefits	<u>\$ 71,919,876</u>	
<b>Total Net Assets</b>	<u><u>\$ 71,919,876</u></u>	

The accompanying notes are an integral part of the financial statements.

City of Allen Park  
Fiduciary Fund  
Statement of Changes in Net Assets  
For the Fiscal Year Ended June 30, 2004

	<u>Pension Fund</u>
<b>Additions:</b>	
Contributions Employer:	
Police & Fire	\$ 641,930
General	346,009
Water & Basin	105,592
24th District Court	149,142
Total Employer	<u>\$ 1,242,673</u>
Plan Members	<u>692,090</u>
Total Contributions	<u>1,934,763</u>
 Investment Income:	
Net appreciation in Fair Value of Investments	2,240,349
Interest and Dividends	2,058,456
Miscellaneous	1,806
Gain on Sale of Investments	<u>2,679,985</u>
Total Investment Income	<u>6,980,596</u>
 Less Investment Expenses:	
Actuarial Services	12,930
Legal	2,817
Securities Lending Expenses:	
Agency Fee	95,319
Miscellaneous	<u>3,743</u>
Net Investment Income	<u>6,865,787</u>
<b>Total Additions</b>	<u>8,800,550</u>
 <b>Deductions:</b>	
Benefits	3,272,521
Administrative	<u>-</u>
<b>Total Deductions</b>	<u>3,272,521</u>
 Change in Net Assets	5,528,029
 Net Assets - beginning	<u>66,391,847</u>
<b>Net Assets - ending</b>	<u><u>\$ 71,919,876</u></u>

The accompanying notes are an integral part of the financial statements.

City of Allen Park  
Statement of Net Assets - Component Units  
Year Ended June 30, 2004

	Downtown Development Authority	Building Authority	Housing Commission	Total Component Units
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 1,815,923	\$ 298,540	\$ 187,994	\$ 2,302,457
Investments	-	-	135,186	135,186
Receivables (Net)	-	265	28,912	29,177
Inventories	-	-	165	165
Prepaid Expenditures	17,401	-	5,242	22,643
Capital Assets - Net	3,538,940	1,597,395	480,444	5,616,779
<b>Total Assets</b>	<b>5,372,264</b>	<b>1,896,200</b>	<b>837,943</b>	<b>8,106,407</b>
<b>Liabilities:</b>				
Accounts Payable	13,596	-	6,222	19,818
Accrued and Other Liabilities	16,847	3,390	25,375	45,612
Due to Primary Government	216,355	-	-	216,355
Noncurrent Liabilities:				
Due Within One Year	205,000	110,000	-	315,000
Due in More Than One Year	2,010,000	1,115,000	-	3,125,000
<b>Total Liabilities</b>	<b>2,461,798</b>	<b>1,228,390</b>	<b>31,597</b>	<b>3,721,785</b>
<b>Net Assets:</b>				
Invested in Capital Assets - Net of Related Debt	1,323,940	372,395	480,444	2,176,779
Restricted for:				-
Debt Service	315,192	190,000	-	505,192
Unrestricted	1,271,334	105,415	325,902	1,702,651
<b>Total Net Assets</b>	<b>\$ 2,910,466</b>	<b>\$ 667,810</b>	<b>\$ 806,346</b>	<b>\$ 4,384,622</b>

The accompanying notes are an integral part of the financial statements.

City of Allen Park  
Statement of Activities - Component Units  
Year Ended June 30, 2004

Functions/programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Downtown Development Authority	Building Authority	Housing Commission	Total
<b>Component Units:</b>								
<b>Downtown Development Authority</b>								
Governmental activities:								
General Government	\$ 274,745	-	-	-	\$ (274,745)	-	-	\$ (274,745)
Interest & fiscal charges	208,587	-	-	-	(208,587)	-	-	(208,587)
Depreciation Expense	250,167	-	-	-	(250,167)	-	-	(250,167)
<b>Total Downtown Development Authority</b>	<b>733,499</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(733,499)</b>	<b>-</b>	<b>-</b>	<b>(733,499)</b>
Building Authority	99,286	-	-	-	-	\$ (99,286)	-	(99,286)
Housing Commission	181,154	\$ 162,656	58,586	-	-	-	\$ 40,088	40,088
<b>Total Component Units</b>	<b>\$ 1,013,939</b>	<b>\$ 162,656</b>	<b>58,586</b>	<b>-</b>	<b>\$ (733,499)</b>	<b>\$ (99,286)</b>	<b>\$ 40,088</b>	<b>\$ (792,697)</b>

**General Revenues:**

Property Taxes	\$ 1,045,687	-	-	\$ 1,045,687
Intergovernmental	-	190,000	-	190,000
Gain on Sale of Fixed Assets	161,430	-	-	161,430
Interest	8,986	6,745	2,525	18,256
Miscellaneous	35,337	1,684	-	37,021
<b>Total General Revenues</b>	<b>1,251,440</b>	<b>198,429</b>	<b>2,525</b>	<b>1,452,394</b>
Change in Net Assets	517,941	99,143	42,613	659,697
Net Assets - Beginning	2,392,525	568,667	763,733	3,724,925
<b>Net Assets - Ending</b>	<b>\$ 2,910,466</b>	<b>\$ 667,810</b>	<b>\$ 806,346</b>	<b>\$ 4,384,622</b>

The accompanying notes are an integral part of the financial statements.

**CITY OF ALLEN PARK**  
Notes to the Financial Statements  
June 30, 2004  
(Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Allen Park conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to government units. The following is a summary of the significant accounting policies used by the City of Allen Park:

**A. Reporting Entity**

The City of Allen Park was incorporated under the laws of the State of Michigan and is governed by an elected seven-member council (Board). The accompanying financial statements present the government and its component units. As defined by GASB Statement No. 14, component units are entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

*Blended Component Units*

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. Currently, the City has no blended component units.

*Discretely Presented Component Units*

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The City's discretely presented component units are presented below:

Component Unit: Allen Park Downtown Development Authority

Reporting: Special Revenue Fund

Brief Description:

Act 197 of the Public Acts of 1975 of the State of Michigan, commonly referred to as the Downtown Development Authority Act, was created in part to correct and prevent deterioration of business districts; to promote economic growth and revitalization; to encourage historic preservation; to authorize the acquisition and disposal of interests in real and personal property; to authorize the creation of the authority; to authorize the levy and collection of taxes, the issuance of bonds and the use of tax increment financing in the accomplishment of specific downtown development activities contained in locally-adopted development plans.

The Act seeks to attack problems of urban decline, strengthen existing areas and encourage new private developments in the downtown districts of Michigan communities. It seeks to accomplish this goal by providing communities with the necessary legal, monetary and organizational tools to revitalize downtown districts either through public-initiated projects or in concert with privately motivated development projects. The manner in which downtown development authorities chose to make use of these tools does, of course, depend on the problems and opportunities facing each particular downtown district and the development priorities sought by the community in the revitalization of its business area.

Component Unit: Allen Park Building Authority

Reporting: Special Revenue Fund

**CITY OF ALLEN PARK**  
**Notes to the Financial Statements**  
**June 30, 2004**  
**(Continued)**

**Brief Description:**

The Allen Park Building Authority has constructed and funded, by use of bonding, the 24<sup>th</sup> District Court Building.

Complete financial statements of the Allen Park Building Authority can be obtained directly from their administrative office located at the following address:

Allen Park Building Authority  
16850 Southfield Road  
Allen Park, MI 48101

**Component Unit:** Allen Park Housing Commission

**Reporting:** Enterprise Fund

**Brief Description:**

The Allen Park Housing Commission was formed to develop senior citizens housing. A senior citizen apartment complex was developed on Champaign Street in Allen Park, Michigan. The complex is funded partially by the U.S. Department of Housing and Urban Development (HUD) and rental fees received from the tenants.

All the information obtained from the above discretely presented component units was derived from audited annual financial statements.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the

**CITY OF ALLEN PARK**  
**Notes to the Financial Statements**  
**June 30, 2004**  
**(Continued)**

timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under full accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the City.

**1. Governmental Funds:**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

- a. **General fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. **Special revenue funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. **Debt service funds** are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.
- d. **Capital projects funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

**2. Proprietary Funds:**

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

**Enterprise funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

**CITY OF ALLEN PARK**  
**Notes to the Financial Statements**  
**June 30, 2004**  
**(Continued)**

**3. Fiduciary Funds:**

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City did not elect to add funds, as major funds, which either had debt outstanding or specific community focus. The nonmajor funds are combined in a column in the fund financial statements.

The City reports the following major governmental funds:

1. **General fund** – see above for description.
2. **Community Center Construction Fund** – Capital project fund that accounts for the receipt of bond proceeds and the expenditures related to the construction of an addition to the current community center.

The City reports the following major proprietary funds:

1. **Water and Sewer fund** – Accounts for activities associated with providing water and sewer services to the public.

Additionally, the City reports the following nonmajor funds:

*Special Revenue Funds:*

1. **Motor Vehicle Highway – Major fund** - Accounts for the revenues and expenditures related to the maintenance of major streets located in the City limits.
2. **Motor Vehicle Highway – Local fund** – Accounts for the revenues and expenditures related to the maintenance of the local streets located in the City limits.
3. **Downriver Sewage Fund** – Accounts for the collection of special assessments related to the Downriver Sewage Debt fund discussed below.
4. **Sidewalk Fund** – Accounts for the revenue and expenditures related to the maintenance the City's sidewalks.
5. **Building Fund** – Accounts for the revenues and expenditures related to building inspections throughout the City.
6. **Drug Law Enforcement Fund** – Accounts for the revenue and expenditures for maintaining and enforcing laws related to drug use and prevention.



**CITY OF ALLEN PARK**  
Notes to the Financial Statements  
June 30, 2004  
(Continued)

Debt Service Funds

1. **Ecorse Creek Pollution Abatement Drain No. 1, Phase 1 Fund** – Accounts for the debt service related to the Ecorse Drain Bonds, Phase 1.
2. **Ecorse Creek Pollution Abatement Drain No. 1, Phase 2 Fund** – Accounts for the debt service related to the Ecorse Drain Bonds, Phase 2.
3. **Downriver Sewage Debt Fund** – Accounts for the debt service related to the bonds issued for a downriver community sewage system.
4. **Community Center Debt Fund** – Accounts for the debt service related to the bonds issued for the construction of an addition to present community center.

Capital Projects Fund

1. **Capital Improvement Fund** – Accounts for the acquisition of equipment and other capitalized items other than those financed by proprietary funds and trust funds.

The City reports the following Fiduciary funds:

2. **Pension Fund** – Accounts for the activities of the City's employees retirement system, which accumulates resources for pension benefit payments to qualified employees.
3. **Payroll Fund** – Accounts for the payment of payroll and the related payroll liabilities.
4. **Tax Collection Fund** – Accounts for the collection and distribution of real and personal property taxes that were levied during the fiscal year.
5. **Employee Sick Pay Fund** – Accounts for the activities related to the accumulation of resources for the payment of the City's employees compensated absences.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of GASB. The government has elected to also follow the private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer fund and various other functions of government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary fund relates to charges to customers for sales and services. The water and sewer fund also recognizes the portion of tap fees intended to recover current costs as operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

**CITY OF ALLEN PARK**  
**Notes to the Financial Statements**  
**June 30, 2004**  
**(Continued)**

**D. Assets, Liabilities, and Net Assets or Equity**

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less of the date acquired by the City.

The City reports its investments according to GASB Statement No. 31, “Accounting and Financial Reporting for Certain Investments and for External Investment Pools”. Certain investments are stated at fair value based on quoted market prices; other investments are stated at cost or amortized cost, except for investments in the pension trust fund, which are reported at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/due from other funds”. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds”.

Ad Valorem Taxes -All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Real and Property taxes are levied on each July 1<sup>st</sup> and December 1<sup>st</sup> on the taxable valuation of the city as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed. The City Charter limits the ad valorem tax rate for operating purposes to 12.5 mills of valuation. The ad valorem rate during the year was 10.60 mills.

Inventories and Prepaid items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets – Certain proceeds of the enterprise fund revenues are set aside for purposes of funding the replacement water and sewer mains.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, there was no interest expense that was capitalized as part of the cost of assets under construction.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Building and Site Improvements	20-30 years
Water and Sewer Lines	40-60 years
Roads and Other Infrastructures	40 years
Vehicles	5-10 years
Machinery & Equipment	5-20 years

**CITY OF ALLEN PARK**  
**Notes to the Financial Statements**  
**June 30, 2004**  
**(Continued)**

**Compensated Absences** – It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**Long-Term Obligations** – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt services expenditures.

**Fund Equity** – In the fund financial statements, government funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

The City prepares its annual budget on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue, debt service, and enterprise funds. All annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital projects funds.

All agencies of the government submit their requests for appropriation to the City Manager so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

The proposed budget is presented to the City's council for review. The council holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. The government's manager or the revenue estimates must be changed by an affirmative vote of a majority of the City's council must within the revenues and reserves estimate any changes in the budget as available.

Expenditures may not legally exceed budgeted appropriations at the functional level. During the year, supplementary appropriations were necessary.

**CITY OF ALLEN PARK**  
**Notes to the Financial Statements**  
**June 30, 2004**  
**(Continued)**

**B. Excess of expenditures over appropriations**

For the fiscal year ended June 30, 2004, expenditures exceeded appropriations in the following general fund and special revenue accounts:

<u>Function</u>	<u>Amount by which expenditures exceeded Appropriations</u>
General Fund:	
Mayor & Council	\$ 2,269
Treasurer	18
City Hall	27,050
Police	105,777
Fire	85,379
Public Service	78,435
Recreation	5,603
Library	126,699
City Commissions	5,474
Sanitation	80,471
Social Security	22,342
Transfer to Building Fund	9,442
Transfer to Capital Improvement Fund	76,000
Transfer to Sick Pay Fund	50,000
Motor Vehicle Highway Fund - Major:	
Construction	943
Employee Fringe Benefits	12,303
Motor Vehicle Highway Fund - Local:	
Employee Fringe Benefits	33,795
Downriver Sewage Fund:	
Transfer to Water & Sewer Fund	465,943
Sidewalk Fund:	
Transfer to General Fund	80,000
Drug Law Enforcement Fund:	
Personal Services	31,997
Capital Outlay	56,445
Education and Training	1,169
Miscellaneous	12,057

**CITY OF ALLEN PARK**  
**Notes to the Financial Statements**  
**June 30, 2004**  
**(Continued)**

**NOTE 3 – DEPOSITS AND INVESTMENTS**

Act 217, P.A. 1982, authorizes the City to deposit and invest in:

1. Bonds and other direct obligations of the United States or its agencies;
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations, or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under Section 5 or 6 of Act 105, P.A. 1855, as amended (MCL 21.145 and 21.146);
3. Commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase and not more than 50 percent of any fund may be invested in commercial paper at any time;
4. United States government or Federal agency obligation repurchase agreements;
5. Banker's acceptance of United States banks;
6. Mutual funds composed of investments, which are legal for direct investments by local units of government in Michigan.

At year end, the City's carrying amount of deposits for the general government, restricted and unrestricted, and its fiduciary funds were \$7,364,750 and \$1,824,796, respectively, of those amounts, \$100,000 was covered by federal depository insurance and 9,089,546 was uninsured and uncollateralized.

The carry amount of deposits for the City's discretely presented component units, was \$2,437,733 and of those amounts, \$100,000 was covered by federal depository insurance and \$2,337,733 was uninsured and uncollateralized.

100% of the City's deposits are contained in entities that are within the State of Michigan or considered to be located in the State of Michigan.

Deposits in the Allen Park Housing Commission, a discretely presented component unit, were in the amount of \$135,186 and in the form of a 12-month Certificate of Deposit, which is an investment not subject to categorization.

**CITY OF ALLEN PARK**  
Notes to the Financial Statements  
June 30, 2004  
(Continued)

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2004 consist of the following:

	<u>General</u>	<u>Enterprise</u>	<u>Total</u>
Receivables:			
Taxes (net)	\$ 97,511	\$ 443,682	\$ 541,193
Accounts	-	572,974	572,974
	<hr/>		
Total receivables	<u>\$ 97,511</u>	<u>\$ 1,016,656</u>	<u>\$ 1,114,167</u>

**CITY OF ALLEN PARK**  
Notes to the Financial Statements  
June 30, 2004  
(Continued)

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the City for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 39,894,223	-	-	\$ 39,894,223
Construction in Progress	424,944	5,075,308	-	5,500,252
Subtotal	40,319,167	5,075,308	-	45,394,475
Capital assets being depreciated:				
Buildings and site	7,500,110	15,375	(201,292)	7,314,193
Leasehold improvements	120,379	-	-	120,379
Land Improvements	1,526,901	251,004	-	1,777,905
Furniture & Equipment	5,119,664	105,691	(256,976)	4,968,379
Vehicles	2,918,391	119,017	(38,856)	2,998,552
Infrastructure	124,144,084	-	-	124,144,084
Subtotal	141,329,529	491,087	(497,124)	141,323,492
Total Governmental Activities	181,648,696	5,566,395	(497,124)	186,717,967
Less Accumulated depreciation for:				
Buildings and site	(5,953,594)	(190,581)	186,194	(5,957,981)
Leasehold improvements	(72,228)	(6,019)	-	(78,247)
Land improvements	(590,412)	(58,794)	-	(649,206)
Furniture & Equipment	(3,670,264)	(335,261)	246,165	(3,759,360)
Vehicles	(2,286,278)	(223,201)	38,856	(2,470,623)
Infrastructure	(71,382,848)	(3,103,602)	-	(74,486,450)
Subtotal	(83,955,624)	(3,917,458)	471,215	(87,401,867)
Net capital assets being depreciated	57,373,905	(3,426,371)	(25,909)	53,921,625
Capital assets-net of depreciation	\$ 97,693,072	\$ 1,648,937	\$ (25,909)	\$ 99,316,100

**CITY OF ALLEN PARK**  
Notes to the Financial Statements  
June 30, 2004  
(Continued)

Capital Asset activity for Component Units was as follows:

Downtown Development Authority

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 64,715	-	-	\$ 64,715
Subtotal	64,715	-	-	64,715
Capital assets being depreciated:				
Buildings	903,521	13,500	(145,000)	772,021
Furniture & Equipment	17,367	449	-	17,816
Site Improvement	4,426,580	45,540	-	4,472,120
Vehicles	15,711	-	-	15,711
Subtotal	5,363,179	59,489	(145,000)	5,277,668
Total Governmental Activities	5,427,894	59,489	(145,000)	5,342,383
Less Accumulated depreciation for:				
Buildings	143,226	20,727	(19,635)	144,318
Furniture & Equipment	6,083	3,548	-	9,631
Site Improvement	1,417,318	222,750	-	1,640,068
Vehicles	6,284	3,142	-	9,426
Subtotal	1,572,911	250,167	(19,635)	1,803,443
Net capital assets being depreciated	3,790,268	(190,678)	(125,365)	3,474,225
Capital assets-net of depreciation	\$ 3,854,983	\$ (190,678)	\$ (125,365)	\$ 3,538,940



**CITY OF ALLEN PARK**  
**Notes to the Financial Statements**  
**June 30, 2004**  
**(Continued)**

Allen Park Building Authority:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Subtotal	100,000	-	-	100,000
Capital assets being depreciated:				
Buildings	2,029,861	-	-	2,029,861
Furniture & Equipment	170,029	-	-	170,029
Subtotal	2,199,890	-	-	2,199,890
Total Governmental Activities	2,299,890	-	-	2,299,890
Less Accumulated depreciation for:				
Buildings	479,219	50,747	-	529,966
Furniture & Equipment	170,029	-	-	170,029
Subtotal	649,248	50,747	-	699,995
Net capital assets being depreciated	1,550,642	(50,747)	-	1,499,895
Capital assets-net of depreciation	\$ 1,650,642	\$ (50,747)	\$ -	\$ 1,599,895

**CITY OF ALLEN PARK**  
Notes to the Financial Statements  
June 30, 2004  
(Continued)

Allen Park Housing Authority:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 68,050	-	-	\$ 68,050
Subtotal	68,050	-	-	68,050
Capital assets being depreciated:				
Buildings	968,314	47,369	-	1,015,683
Furniture & Equipment	73,795	8,035	-	81,830
Land Improvements	-	2,601	-	2,601
Computers & Machinery	12,657	7,355	-	20,012
Subtotal	1,054,766	65,360	-	1,120,126
Total Governmental Activities	1,122,816	65,360	-	1,188,176
Less Accumulated depreciation for:				
Buildings	736,182	24,948	-	761,130
Furniture & Equipment	57,699	8,248	-	65,947
Land Improvements	-	260	-	260
Computers & Machinery	12,657	1,015	-	13,672
Subtotal	806,538	34,471	-	841,009
Net capital assets being depreciated	248,228	30,889	-	279,117
Capital assets-net of depreciation	\$ 316,278	\$ 30,889	\$ -	\$ 347,167

**CITY OF ALLEN PARK**  
**Notes to the Financial Statements**  
**June 30, 2004**  
**(Continued)**

Business-Type Activities

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Construction in Progress	\$ 806,733	\$ 200,913	\$ (806,733)	\$ 200,913
Subtotal	806,733	200,913	(806,733)	200,913
Capital assets being depreciated:				
Buildings	1,284,123	806,733	-	2,090,856
Site Improvements	44,625,980	710,952	-	45,336,932
Meter Installation	211,831	5,769	-	217,600
Machinery & Equipment	1,222,576	308,372	(218,960)	1,311,988
Subtotal	47,344,510	1,831,826	(218,960)	48,957,376
Total Governmental Activities	48,151,243	2,032,739	(1,025,693)	49,158,289
Less Accumulated depreciation for:				
Buildings	(509,568)	(61,490)	-	(571,058)
Site Improvements	(7,659,497)	(904,774)	-	(8,564,271)
Meter Installation	(183,601)	(18,619)	-	(202,220)
Machinery & Equipment	(1,049,061)	(75,504)	218,960	(905,605)
Subtotal	(9,401,727)	(1,060,387)	218,960	(10,243,154)
Net capital assets being depreciated	37,942,783	771,439	-	38,714,222
Capital assets-net of depreciation	\$ 38,749,516	\$ 972,352	\$ (806,733)	\$ 38,915,135

Business-type activities:

Water	\$ 992,061
Sewer	68,326
Total business-type activities depreciation expense	\$ 1,060,387

In Business-Type activities, the following estimated useful lives are used to compute depreciation:

Mains	50 Years
Equipment	5-10 Years
Vehicles	4 Years
Hydrants	50 Years

**CITY OF ALLEN PARK**  
Notes to the Financial Statements  
June 30, 2004  
(Continued)

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of inter-fund balances is as follows:

**Due To/From Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water & Sewer Fund	\$ 963
	Tax Collection	1,084
	Downtown Dev. Authority	216,355
	Payroll Fund	1,375
Tax Collection Fund	Water & Sewer Fund	184
Water and Sewer fund	General Fund	76,760
Comm. Center Construction fund	Comm. Center Debt Fund	26,524
	General Fund	398,804
MVH-Major Fund	General Fund	38,347
MVH - Local Fund	General Fund	101,721
Building Fund	General Fund	90,910
Drug Law Enforcement Fund	General Fund	190,046
Sidewalk Fund	General Fund	1,257
Total		<u>\$ 1,144,330</u>

**Advances From/To Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Sidewalk Fund	80,000
	Capital Improvement Fund	56,698
		<u>136,698</u>
Water & Sewer Fund	Eorse Creek Phase 1 #1	51,638
	Eorse Creek Phase 1 #2	262,515
	Downriver Sewage Fund	465,943
		<u>780,096</u>
Motor Vehicle Hwy - Local	Motor Veh. Hwy - Major	727,007
	General Fund	191,631
		<u>918,638</u>
Downriver Sewage Fund	Downriver Sewage Debt Fund	<u>34,887</u>
Building Fund	General Fund	<u>9,442</u>
Community Center Debt Fund	Community Center Const. Fund	23,676
Capital Inv. Fund	General Fund	<u>76,000</u>
Total		<u>1,979,437</u>

**CITY OF ALLEN PARK**  
Notes to the Financial Statements  
June 30, 2004  
(Continued)

**NOTE 7 - LONG-TERM DEBT**

General Obligation Bonds. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. These bonds therefore are reported in the proprietary funds if they are expected to be repaid from proprietary revenues. In addition, general obligation bonds have been issued to refund both general obligations and revenue bonds.

General obligations bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 25-year serial bonds, except for refunding issues, with equal amounts of principal maturing each year. Judgment bonds are bonds issued to finance an amount to be paid or collected by the City as the result of a court decision. General obligations bonds and judgment bonds currently outstanding are as follows:

<u>Description</u>	<u>% Interest Rate</u>	<u>Amount Outstanding June 30, 2004</u>
<b>Governmental Activities</b>		
General obligation Bonds		
2003 Community Center bonds	3.0 – 5.0	<u>\$ 6,500,000</u>
Total Governmental Activities		<b>\$ 6,500,000</b>
<b>Business-Type Activities</b>		
General obligation Bonds		
2002 Limited tax construction bonds	3.8 – 4.7	\$ 1,975,000
Compensated Absences		100,518
Judgment Bonds		
1999 Series A (Refunded)	4.8 – 5.1	2,481,728
1999 Series B	2.0 – 2.5	1,315,873
SRF Bonds, Projects 1 - 14		<u>22,190,698</u>
Total Business-Type Activities		<b>\$ 28,063,817</b>

**CITY OF ALLEN PARK**  
**Notes to the Financial Statements**  
**June 30, 2004**  
**(Continued)**

Annual debt service requirements to maturity for the above obligations are as follows:

Fiscal Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2005	25,000	297,663	1,535,891	746,182
2006	50,000	296,163	1,601,928	704,826
2007	75,000	293,537	1,638,950	661,233
2008	100,000	290,163	1,690,546	616,546
2009	100,000	286,413	1,751,037	570,567
2010-2014	600,000	1,365,687	9,597,041	2,069,731
2015-2019	900,000	1,219,063	8,317,708	813,837
2020-2024	1,150,000	1,000,362	1,830,198	85,833
2025-2029	1,525,000	687,481	-	-
2030-2034	1,975,000	260,625	-	-
			-	-
<b>Totals</b>	<b>\$ 6,500,000</b>	<b>\$ 5,997,157</b>	<b>\$ 27,963,299</b>	<b>\$ 6,268,754</b>

Changes in long-term liabilities

Long-term liability activity for the fiscal year ended June 30, 2004 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
General obligation Bonds	\$ 4,925,000	\$ 1,575,000	\$ -	\$ 6,500,000	\$ 25,000
Compensated Absences	1,772,755	209,917	(74,679)	1,907,993	209,879
Total governmental activity long-term liabilities	<u>\$ 6,697,755</u>	<u>\$ 1,784,917</u>	<u>\$ (74,679)</u>	<u>\$ 8,407,993</u>	<u>\$ 234,879</u>
<b>Business-type activities:</b>					
Bonds payable:					
General obligation Bonds	\$ 2,000,000	\$ -	\$ (25,000)	\$ 1,975,000	\$ 25,000
Judgment Bonds	27,459,579	-	(1,471,280)	25,988,299	1,510,891
Compensated Absences	107,156	11,765	(18,403)	100,518	10,052
Total business-type activity long-term liabilities	<u>\$ 29,566,735</u>	<u>\$ 11,765</u>	<u>\$ (1,514,683)</u>	<u>\$ 28,063,817</u>	<u>\$ 1,545,943</u>

**CITY OF ALLEN PARK**  
**Notes to the Financial Statements**  
**June 30, 2004**  
**(Continued)**

**Component Unit Long Term Debt:**

Downtown Development Authority

2003 Refunding Bonds

\$2,215,000

Annual debt service requirements to maturity for general obligation bonds of the Downtown Development Authority are as follows:

Fiscal Year Ending June 30	Principal	Interest
2005	\$ 205,000	\$ 63,503
2006	210,000	59,352
2007	215,000	55,103
2008	215,000	50,265
2009	215,000	44,621
2010-2014	1,155,000	109,707
Totals	\$ 2,215,000	\$ 382,551

The Allen Park Building Authority

Revenue Bonds: The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at June 30, 2003 are as follows:

Purpose	Interest Rates	Amount
2003 Building Authority Refunding Bonds	3 - 3.8 %	\$ <u>1,225,000</u>

Revenue bond debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest
2005	110,000	40,682
2006	110,000	37,383
2007	110,000	34,082
2008	115,000	30,783
2009	120,000	27,333
2010-2014	660,000	73,908
Totals	\$ 1,225,000	\$ 244,171

**CITY OF ALLEN PARK**  
**Notes to the Financial Statements**  
**June 30, 2004**  
**(Continued)**

Changes in long-term liabilities – Component Units

Long-term liability activity, by component unit, for the fiscal year ended June 30, 2003, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Downtown Development Auth.</b>					
Bonds payable:					
General obligation Bonds	\$ 2,285,000	2,340,000.00	\$ (2,410,000)	\$ 2,215,000	\$ 205,000
Notes payable	574,676	-	(574,676)	-	\$ -
Total Downtown Development Auth. liabilities	<u>\$ 2,859,676</u>	<u>2,340,000.00</u>	<u>\$ (2,984,676)</u>	<u>\$ 2,215,000</u>	<u>\$ 205,000</u>
<b>Allen Park Building Authority</b>					
Bonds payable:					
Revenue Bonds	\$ 1,325,000	\$ -	\$ (100,000)	\$ 1,225,000	\$ 110,000
Total Allen Park Building Authority liabilities	<u>\$ 1,325,000</u>	<u>\$ -</u>	<u>\$ (100,000)</u>	<u>\$ 1,225,000</u>	<u>\$ 110,000</u>

**NOTE 8 – DEFEASED DEBT – DOWNTOWN DEVELOPMENT AUTHORITY**

During the 2003-2004 year the City of Allen Park Downtown Development Authority issues general obligation bonds of \$2,340,000 with an interest rate of 2% to 3.9% to advance refund term bonds with interest rates of 5.1% to 6.7%. The term bonds mature on September 1, 2013. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited into an irrevocable trust with an escrow agent to provide debt service payments until the term bonds mature on September 1, 2013. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the component unit's government-wide financial statements.

As a result of the advance refunding, the city reduced its total debt service requirements by \$300,039, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$249,264.



**CITY OF ALLEN PARK**  
**Notes to the Financial Statements**  
**June 30, 2004**  
**(Continued)**

**NOTE 9 – JOINTLY GOVERNED ORGANIZATION**

The City of Allen Park in conjunction with the City of Melvindale governs the 24th District Court. The two cities are referred to as District Control Units (DCU's). The Court receives its operating revenue mainly from fines and fees. Based on a joint agreement the City of Allen Park receives 2/3 of the revenue received by the Court through fines and fees and the City of Melvindale receives 1/3. The Allen Park City Council and the Melvindale City Council approve the Court's annual budget each year and contribute to the Court monthly a share of the annual budget based on the same ratio that revenues are distributed by the Court to the DCU's. A copy of the 24<sup>th</sup> District Court's separate financial statements can be obtained at 16850 Southfield Road, Allen Park, Michigan. Financial segment information as of and for the year ended June 30, 2004 is presented below.

Total Assets	\$ 1,012,412
Total Liabilities	184,489
Total Net Assets	827,923
Total Revenue	2,947,984
Total Expenditures	3,278,930
Change in Net Deficit	(330,946)
Total Outstanding Long-Term Debt	\$ 104,560

**NOTE 10 – POST-EMPLOYEE HEALTH CARE BENEFITS**

In addition to providing pension benefits, the government provides certain insurance benefits for retired employees. Substantially all of the government's employees may become eligible for those benefits if they reach normal retirement age while working for the government. The cost of retiree insurance benefits is recognized as expenditure as claims are paid. This plan is self-funded. The total expenditure for the year ended June 30, 2004 was approximately \$ 1,000,000.

**NOTE 11 – EMPLOYEE RETIREMENT SYSTEM**

**PLAN DESCRIPTION, CONTRIBUTION INFORMATION AND FUNDING POLICIES**

The City participates in a multiple-employer public employee retirement system. Assets are held separately and may be used only for the payment of benefits to the members of the plan.

**CITY OF ALLEN PARK**  
**Notes to the Financial Statements**  
**June 30, 2004**  
**(Continued)**

The following is a summary of funding policies, contribution methods and benefit provisions:

	<u>Retirement System</u>	
Year established and Governing authority	1949; City Council Ordinance	
Determination of contribution Requirement	On the basis of the December 31, 2003 actuarial valuation, the employer rates were determined to be as follows:	
	<u>Contributions for</u>	<u>Percents of Active Member Payroll</u>
	Normal cost (Weighted Average)	15.97 %
	Accrued Liabilities	
	(full funding credit)	( .04)%
	Total Employer Rate	<u>15.93 %</u>
Employer:		
<u>City of Allen Park</u>		
General	13.24% of covered payroll	
Police-Fire	18.29% of covered payroll	
Water	13.24% of covered payroll	
<u>24<sup>th</sup> District Court</u>		
Court	13.24% of covered payroll	
Plan Members contributions:	6.00% of covered payroll	
Funding of Administrative costs	Investment earnings	
Period required to vest	10 years	
Eligibility for distribution General, Water & Court	Age 54 with 10 or more years of service. Effective 6-30-05, age is reduced to 53.	
Police-Fire	Age 52 with 10 or more years of service	
Provisions for:		
Disability benefits	Yes	
Death benefits	Yes	
Memberships of the plan are as follows:		
Non-vested active members	108	
Fully vested active members	80	
Retirees and beneficiaries currently receiving benefits	<u>145</u>	
Total	<u>333</u>	

**CITY OF ALLEN PARK**  
**Notes to the Financial Statements**  
**June 30, 2004**  
**(Continued)**

**Annual Required Contributions**

Actuarial assumptions and other information used to determine the annual required contribution (ARC) are located in the schedules that are at the conclusion of this note.

**Reserves**

There are no assets legally reserved for purposes other than the payment of plan member benefits. The plan held no individual investment (other than U.S. Government and U.S. Government guaranteed obligations) whose market value exceeds five percent or more of net assets available for benefits. There are no long-term contracts for contributions.

**Funding Status and Progress**

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to (i) help users assess the plan's funding status on a going-concern basis, (ii) assess progress being made in accumulating sufficient assets to pay benefits when due, and (iii) allow for comparisons among public employee retirement plans. The measure is independent of the actuarial funding method used to determine contributions to the plan.

The pension benefit obligation was determined as part of an actuarial valuation of the plan as of December 31, 2003. Significant actuarial assumptions used in determining the pension benefit obligation include (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.7% to 3.8% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will not increase after retirement.

**Contribution Required and Contributions Made:**

The city's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and actuarial accrued liability are determined using an entry age actuarial funding method. Unfunded actuarial accrued liabilities are being amortized as a level percent of payroll over a period of 20 years.

**CITY OF ALLEN PARK**  
**Notes to the Financial Statements**  
**June 30, 2004**  
**(Continued)**

**Schedule of Funding Progress (Dollar amounts in millions)**

Actuarial Valuation 12/31	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll [(b-a)]/(c)
1993	\$ 31.4	\$33.8	\$2.4	92.9%	\$6.7	35.8%
1994*	35.0	35.7	0.7	98.0	6.9	10.1
1995*	39.7	39.7	0.0	100.0	7.2	-
1996*	44.8	42.2	(2.6)	106.2	7.5	-
1997*	49.5	45.7	(3.8)	108.3	8.5	-
1998*	56.2	48.7	(7.5)	115.4	9.0	-
1999*	62.3	54.6	(7.7)	114.1	9.3	-
2000	67.9	58.8	(9.1)	115.5	10.4	-
2001	71.9	62.9	(8.9)	114.3	10.8	-
2002	72.4	68.1	( 4.3)	106.3	10.8	-
2003	73.5	73.4	(.1)	100.1	10.5	-

\* Retirement system benefits amended.

**Schedule of Employer Pension Contributions:**

<u>Year ended December 31</u>	<u>Annual Recommended Contributions*</u>	<u>Actual Contributions</u>	<u>Percent Contributed</u>
1995	937,489	937,643	100.0
1996	796,484	759,774	95.4
1997	843,241	824,087	97.7
1998	757,885	750,645	99.0
1999	799,998	783,153	97.9
2000	684,860	666,474	97.3
2001	879,415	848,414	96.5
2002	943,884	907,141	96.1
2003	883,031	N/A	N/A
2004	1,322,068	N/A	N/A
2005	1,721,588 #	N/A	N/A

\* Based on valuation payroll at the end of the year. Actual contributions may be based on pay paid throughout the year.

# Based on total payroll including DROP participants.

**CITY OF ALLEN PARK**  
Notes to the Financial Statements  
June 30, 2004  
(Continued)

**Summary of Actuarial Methods of Assumptions:**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2003
Actuarial cost method	Entry Age
Amortization method	Level percent
Remaining amortization period	16 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases*	4.5%-8.3%
Cost-of-living adjustments	N/A
Payroll growth	4.5%
Group Size Growth	0%

---

\* Includes inflation at 4.5%

**NOTE 12 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical benefits claims, participates in the Michigan Municipal League risk pool for claims relating to workers' compensation and the Michigan Municipal Risk Management Authority state risk pool for property loss, torts, errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage carried by the City while a participant of the Michigan Municipal Liability and Property Pool.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

**NOTE 13 – CONTINGENT LIABILITIES**

A class action lawsuit was filed against the city for a sewer back up that occurred in 2001. The potential face amount sought could exceed the City's insurance coverage of \$15,000,000. However, both the City's and the insurance carrier's review of the claims indicate that the City's policy should be able to cover the claims.

In addition, four lawsuits are pending in the City's Police Department that are covered by insurance.

**REQUIRED SUPPLEMENTAL INFORMATION**

City of Allen Park  
General Fund  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual - 1  
July 1, 2003 to June 30, 2004

Account	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Tax Collections:</b>				
Current	\$ 11,255,000	\$ 10,475,000	\$ 10,664,729	\$ (189,729)
Payment in Lieu of Taxes	25,000	25,000	953,295	928,295
<b>Total Tax</b>	<b>11,280,000</b>	<b>10,500,000</b>	<b>11,618,024</b>	<b>1,118,024</b>
<b>State of Michigan:</b>				
Highway Fund	1,850,000	1,850,000	1,807,850	(42,150)
Liquor License Fee	1,000	1,000	15,734	14,734
Liquor Tax	13,000	13,000	677	(12,323)
Sales Tax	3,120,000	2,636,000	2,537,331	(98,669)
<b>Total State</b>	<b>4,984,000</b>	<b>4,500,000</b>	<b>4,361,592</b>	<b>(138,408)</b>
<b>Other Revenue:</b>				
Federal Grant	150,000	150,000	91,660	(58,340)
State Grant	6,000	6,000	6,384	384
District Court	2,282,000	2,542,000	2,548,342	6,342
Miscellaneous	2,976,000	4,347,000	3,648,147	(698,853)
<b>Total Other Revenue</b>	<b>5,414,000</b>	<b>7,045,000</b>	<b>6,294,533</b>	<b>(750,467)</b>
<b>Total Revenue</b>	<b>\$ 21,678,000</b>	<b>\$ 22,045,000</b>	<b>\$ 22,274,149</b>	<b>229,149</b>

City of Allen Park  
General Fund  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual - 2  
July 1, 2003 to June 30, 2004

Activity	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Mayor & Council	84,856	89,856	92,125	(2,269)
District Court	1,767,990	1,739,037	1,739,037	-
Elections	139,325	129,803	105,815	23,988
City Clerk	105,095	113,073	106,808	6,265
Administrator	757,878	728,855	705,202	23,653
Treasurer	120,248	122,204	122,222	(18)
City Hall	219,955	248,279	275,329	(27,050)
Police	4,358,934	4,308,558	4,414,335	(105,777)
Fire	2,460,546	2,499,226	2,584,605	(85,379)
Public Service	1,776,757	1,723,823	1,802,258	(78,435)
Recreation	1,157,425	1,489,780	1,495,383	(5,603)
Library	306,050	306,050	432,749	(126,699)
Civic Activities	50,300	52,300	52,149	151
City Commissions	22,000	29,500	34,974	(5,474)
Sanitation	1,300,000	1,300,000	1,380,471	(80,471)
Block Grant	151,000	151,000	46,398	104,602
Insurance	4,520,000	4,709,500	4,683,273	26,227
Pension	1,000,000	1,288,684	1,288,624	60
Social Security	834,300	769,300	791,642	(22,342)
General	364,200	751,200	758,250	(7,050)
Contingency	100,000	100,000	-	100,000
<b>Total Expenditures</b>	<b>21,596,859</b>	<b>22,650,028</b>	<b>22,911,649</b>	<b>(261,621)</b>
Excess of Revenues Over (Under) Expenditures	81,141	(605,028)	(637,500)	(32,472)
Other Financing Sources (Uses)				
Transfer to MVH - Local	(591,631)	(191,631)	(191,631)	-
Transfer to Building Fund	-	-	(9,442)	(9,442)
Transfer to Capital Improvement Fund	(35,000)	-	(76,000)	(76,000)
Transfer from Sick Pay Fund	-	55,000	-	(55,000)
Transfer from Sidewalk Fund	-	-	80,000	80,000
Transfer from Capital Imp. Fund	-	-	56,698	56,698
<b>Total Other Financing Sources (Uses)</b>	<b>(626,631)</b>	<b>(136,631)</b>	<b>(140,375)</b>	<b>(3,744)</b>
<b>Net Change in Fund Balances</b>	<b>(545,490)</b>	<b>(741,659)</b>	<b>(777,875)</b>	<b>(36,216)</b>
Fund Balance - July 1, 2003	1,801,585	1,801,585	1,801,585	-
<b>Fund Balance - June 30, 2004</b>	<b>\$ 1,256,095</b>	<b>\$ 1,059,926</b>	<b>\$ 1,023,710</b>	<b>(36,216)</b>



**SUPPLEMENTAL INFORMATION**

City of Allen Park  
Combining Statement of Assets and Liabilities  
Agency Funds  
Year Ended June 30, 2004

	<u>Sick Pay Fund</u>	<u>Payroll Fund</u>	<u>Tax Collection Fund</u>	<u>Total Agency Funds</u>
<b>Assets</b>				
Cash and Cash Equivalents	\$ -	\$ 5,057	\$ 525,364	\$ 530,421
Accounts receivable - other	-	15,392	-	15,392
Due From Other Funds	-	1,375	184	1,559
<b>Total Assets</b>	<u>\$ -</u>	<u>\$ 21,824</u>	<u>\$ 525,548</u>	<u>\$ 547,372</u>
<b>Liabilities</b>				
Due to Other Funds	\$ -	\$ -	\$ 1,084	\$ 1,084
Withholding Payables		21,824		21,824
Payable to Other Gov. Agencies	-	-	524,464	524,464
<b>Total Current Liabilities</b>	<u>\$ -</u>	<u>\$ 21,824</u>	<u>\$ 525,548</u>	<u>\$ 547,372</u>

City of Allen Park  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2004

	Special Revenue Funds						Debt Service Funds				Capital Project Fund	Total Nonmajor Governmental Funds
	Major Highway Fund	Local Highway Fund	Downriver Sewage Fund	Sidewalk Fund	Building Fund	Drug Law Enforcement Fund	Ecorse Creek Pollution Abatement Drain No. 1 Fund	Ecorse Creek Pollution Abatement Drain No. 1, Ph. 2 Fund	Downriver Sewage Debt Fund	Community Center Debt Fund	Capital Improvement Fund	
Assets:												
Cash and Equivalents	\$ 487,309	\$ 153,677	\$ -	\$ 25,869	\$ 99,141	\$ 572,859	\$ -	\$ -	\$ -	\$ 26,524	\$ -	\$ 1,365,379
Receivables:												
Taxes (Net)	-	-	-	3,176	-	-	-	-	-	-	-	3,176
Assessments	-	-	-	-	-	-	-	-	-	-	-	-
Due From Other Funds	-	-	-	1,257	-	-	-	-	-	-	-	1,257
Total Assets	487,309	153,677	-	30,302	99,141	572,859	-	-	-	26,524	-	1,369,812
Liabilities and Fund Balances:												
Liabilities:												
Accounts Payable	46,132	9,024	-	5,004	8,230	25,841	-	-	-	-	-	94,231
Due to Other Funds	38,347	101,721	-	-	90,911	190,046	-	-	-	26,524	-	447,549
Total Liabilities	84,479	110,745	-	5,004	99,141	215,887	-	-	-	26,524	-	541,780
Fund Balances:												
Reserved for:												
Subsequent Years	-	-	-	-	-	353,600	-	-	-	-	-	353,600
Unreserved	402,830	42,932	-	25,298	-	3,372	-	-	-	-	-	474,432
Total Fund Balances	402,830	42,932	-	25,298	-	356,972	-	-	-	-	-	828,032
Total Liabilities and Fund Balances	\$ 487,309	\$ 153,677	\$ -	\$ 30,302	\$ 99,141	\$ 572,859	\$ -	\$ -	\$ -	\$ 26,524	\$ -	\$ 1,369,812

City of Allen Park  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
June 30, 2004

	Special Revenue Funds						Debt Service Funds					Total
	Major Highway Fund	Local Highway Fund	Downriver Sewage Fund	Sidewalk Fund	Building Fund	Drug Law Enforcement Fund	Ecorse Creek Pollution Abatement Drain No. 1 Fund	Ecorse Creek Pollution Abatement Drain No. 1, Ph. 2 Fund	Downriver Sewage Debt Fund	Community Center Debt Fund	Capital Improvement Fund	Nonmajor Governmental Funds
Revenues:												
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 182,388	\$ -	\$ 182,388
Intergovernmental:												
State	\$ 1,341,309	\$ 483,547	-	-	-	-	-	-	-	-	-	1,824,856
Fees	-	-	-	-	245,083	-	-	-	-	-	-	245,083
Interest Income	5,292	1,632	2,746	2,089	371	3,356	306	1,561	118	4,232	166	21,869
Local Sources	1,362	-	-	20,171	12,510	-	-	-	-	-	-	34,043
Forfeited Monies	-	-	-	-	-	251,583	-	-	-	-	-	251,583
Total Revenues	1,347,963	485,179	2,746	22,260	257,964	254,939	306	1,561	118	186,620	166	2,559,822
Expenditures:												
Current:												
General Government	-	-	19,904	54,322	420,955	211,960	-	-	-	-	-	707,141
Public Safety	-	-	-	-	-	-	-	-	-	-	-	-
Highway and Streets	641,398	1,361,379	-	-	-	-	-	-	-	-	1,068	2,003,845
Debt Service:												
Interest	-	-	-	-	-	-	-	-	-	210,296	-	210,296
Capital Outlay	-	-	-	-	6,360	108,445	-	-	-	-	36,413	151,218
Total Expenditures	641,398	1,361,379	19,904	54,322	427,315	320,405	-	-	-	210,296	37,481	3,072,500
Excess (Deficiency) of Revenues Over Expenditures	706,565	(876,200)	(17,158)	(32,062)	(169,351)	(65,466)	306	1,561	118	(23,676)	(37,315)	(512,678)
Other Financing Sources (Uses)												
Transfer In	-	918,638	34,887	-	9,442	-	-	-	-	23,676	76,000	1,062,643
Transfer Out	(727,007)	-	(465,943)	(80,000)	-	-	(51,638)	(262,515)	(34,887)	-	(56,698)	(1,678,688)
Future Levy Adjustment	-	-	-	-	-	-	-	(13,948)	-	-	-	(13,948)
Total Other Financing Sources (Uses)	(727,007)	918,638	(431,056)	(80,000)	9,442	-	(51,638)	(276,463)	(34,887)	23,676	19,302	(629,993)
Net Change in Fund Balances	(20,442)	42,438	(448,214)	(112,062)	(159,909)	(65,466)	(51,332)	(274,902)	(34,769)	-	(18,013)	(1,142,671)
Fund Balances												
Beginning of Year	423,272	494	448,214	137,360	159,909	422,438	51,332	274,902	34,769	-	18,013	1,970,703
End of Year	\$ 402,830	\$ 42,932	\$ -	\$ 25,298	\$ -	\$ 356,972	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 828,032

City of Allen Park  
Motor Vehicle Highway Fund-Major  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual - 1  
July 1, 2003 to June 30, 2004

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
State of Michigan	\$ 1,308,030	\$ 1,308,030	\$ 1,341,309	\$ 33,279
Local Sources	-	-	1,362	1,362
Interest Income	5,000	5,000	5,292	292
Total Revenues	1,313,030	1,313,030	1,347,963	34,933
<b>Expenditures</b>				
Construction:				
Traffic Signals	-	-	943	(943)
Entrance Signs	-	-	-	-
Maintenance:				
Surface	30,000	30,000	21,767	8,233
Special Street Repair	60,000	60,000	35,281	24,719
Sweeping	80,000	80,000	70,744	9,256
Trees & Shrubs	60,000	60,000	84,087	(24,087)
Roadside Clean-up	80,000	80,000	92,577	(12,577)
Grass & Weeds	32,000	32,000	31,185	815
Traffic Signs & Signals	42,000	42,000	33,870	8,130
Pavement Marking	7,000	7,000	1,187	5,813
Winter Maintenance	40,000	40,000	39,329	671
Employee Fringe Benefits:				-
Routine Maintenance	80,000	80,000	97,150	(17,150)
Traffic Signals	16,000	16,000	9,346	6,654
Winter Maintenance	5,000	5,000	6,807	(1,807)
Roadside Parks:				-
Maintenance	28,000	28,000	8,399	19,601
Fringe Benefits	10,000	10,000	17,977	(7,977)
Administration:				-
Salaries	8,000	8,000	7,676	324
Fringe Benefits	5,000	5,000	2,944	2,056
Legal & Audit	1,000	1,000	1,000	-

City of Allen Park  
Motor Vehicle Highway Fund-Major  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual - 2  
July 1, 2003 to June 30, 2004

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Expenditures (Cont'd)</b>				
Other State Highway Construction:				
Southfield Grant	\$ 60,000.00	\$ 60,000.00	\$ -	\$ 60,000.00
M-39 Misc. Projects	50,000	50,000	47,653	2,347
I-94 Misc. Projects	-	-	3,765	(3,765)
Outer Drive	15,000	59,000	-	59,000
I-75 Various Projects	65,000	65,000	27,712	37,288
Bridge Inspection	4,000	4,000	-	4,000
<b>Total Expenditures</b>	<b>778,000</b>	<b>822,000</b>	<b>757,852</b>	<b>64,148</b>
Excess of Revenues over (under) Expenditures	535,030	491,030	590,111	99,081
Other Financing Sources (Uses)				
Transfer to MVH Local	(327,007)	(727,007)	(727,007)	-
Total Other Financing Sources (Uses)	(327,007)	(727,007)	(727,007)	-
Net Change in Fund Balances	208,023	(235,977)	(136,896)	99,081
Fund Balance-				
July 1, 2003	470,258	423,272	423,272	-
<b>Fund Balance-</b>				
<b>June 30, 2004</b>	<b>\$ 678,281</b>	<b>\$ 187,295</b>	<b>\$ 286,376</b>	<b>\$ 99,081</b>

City of Allen Park  
Motor Vehicle Highway Fund-Local  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual - 1  
July 1, 2003 to June 30, 2004

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
State of Michigan	\$ 477,362	\$ 477,362	\$ 483,547	\$ 6,185
Interest Income	2,000	2,000	1,632	(368)
<b>Total Revenues</b>	<b>479,362</b>	<b>479,362</b>	<b>485,179</b>	<b>5,817</b>
<b>Expenditures</b>				
Construction:				
Maintenance:				
Surface	75,000	75,000	55,951	19,049
Special Street Repairs	80,000	80,000	54,997	25,003
Sweeping	225,000	225,000	204,262	20,738
Trees & Shrubs	210,000	210,000	219,290	(9,290)
Roadside Clean-up	250,000	250,000	278,492	(28,492)
Grass & Weeds	85,000	85,000	83,295	1,705
Traffic Signals	65,000	65,000	39,313	25,687
Pavement Marking	4,000	4,000	258	3,742
Winter Maintenance	100,000	100,000	95,359	4,641
Employee Fringe Benefits:				
Routine Maintenance	220,000	220,000	270,040	(50,040)
Traffic Signs	35,000	35,000	20,079	14,921
Winter Maintenance	15,000	15,000	13,676	1,324
Administration:				
Salaries	21,000	21,000	18,956	2,044
Fringe Benefits	12,000	12,000	7,410	4,590
Legal & Audit	1,000	1,000	-	1,000
<b>Total Expenditures</b>	<b>\$ 1,398,000</b>	<b>\$ 1,398,000</b>	<b>\$ 1,361,378</b>	<b>\$ 36,622</b>

City of Allen Park  
Motor Vehicle Highway Fund-Local  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual - 2  
July 1, 2003 to June 30, 2004

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Excess of Revenues over (under) Expenditures	\$ (918,638)	\$ (918,638)	\$ (876,199)	\$ 42,439
Other Financing Sources (Uses)				
Transfer from Motor Vehicle Highway Fund-Major	327,007	727,007	727,007	-
Transfer from General Fund	591,631	191,631	191,631	-
Total Other Financing Sources (Uses)	918,638	918,638	918,638	-
Net Change in Fund Balances	-	-	42,439	42,439
Fund Balance- July 1, 2003	100,058	494	494	-
Fund Balance- June 30, 2004	\$ 100,058	\$ 494	\$ 42,933	\$ 42,439



City of Allen Park  
Downriver Sewage Fund  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
July 1, 2003 to June 30, 2004

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue</b>			
Interest Income	\$ 5,000	\$ 2,746	\$ (2,254)
<b>Total Revenue</b>	<u>5,000</u>	<u>2,746</u>	<u>(2,254)</u>
<b>Expenditures</b>			
Operating Expenses	25,000	19,904	5,096
<b>Total Expenditures</b>	<u>25,000</u>	<u>19,904</u>	<u>5,096</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(20,000)</u>	<u>(17,158)</u>	<u>2,842</u>
Other Financing Sources (Uses):			
Transfer From DR Sew. Debt Fd.	-	34,887	34,887
Transfer to Water & Sewer Fund	-	(465,943)	(465,943)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(431,056)</u>	<u>(431,056)</u>
<b>Net Change in Fund Balance</b>	<u>(20,000)</u>	<u>(448,214)</u>	<u>(428,214)</u>
<b>Fund Balance-</b> July 1, 2003	<u>448,214</u>	<u>448,214</u>	<u>-</u>
<b>Fund Balance-</b> June 30, 2004	<u>\$ 428,214</u>	<u>\$ -</u>	<u>\$ (428,214)</u>

City of Allen Park  
Sidewalk Fund  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
July 1, 2003 to June 30, 2004

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Billings	\$ 150,000	\$ 20,171	\$ (129,829)
Interest Income	800	2,089	1,289
<b>Total Revenues</b>	<b>150,800</b>	<b>22,260</b>	<b>(128,540)</b>
<b>Expenditures</b>			
Sidewalk Construction Cost	130,000	19,554	110,446
Operating Supplies	400		400
Miscellaneous	200	34,768	(34,568)
<b>Total Expenditures</b>	<b>130,600</b>	<b>54,322</b>	<b>76,278</b>
Excess of Revenues Over(Under) Expenditures	20,200	(32,062)	(52,262)
Other Financing Sources (Uses)			
Transfer to the General Fund	-	(80,000)	(80,000)
Total Other Financing Sources (Uses)	-	(80,000)	(80,000)
Net Change in Fund Balances	20,200	(112,062)	(132,262)
Fund Balance July 1, 2003	137,360	137,360	-
<b>Fund Balance June 30, 2004</b>	<b>\$ 157,560</b>	<b>\$ 25,298</b>	<b>\$ (132,262)</b>

City of Allen Park  
Building Fund  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
July 1, 2003 to June 30, 2004

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Building Inspection Fees	\$ 350,000	\$ 350,000	\$ 245,083	\$ (104,917)
Interest Income	3,500	3,500	371	(3,129)
Local Sources	40,000	40,000	12,510	(27,490)
<b>Total Revenues</b>	<b>393,500</b>	<b>393,500</b>	<b>257,964</b>	<b>(135,536)</b>
<b>Expenditures</b>				
Salaries and Fringe Benefits	279,068	279,997	281,114	(1,117)
Inspectors	66,000	128,000	38,568	89,432
Operating Expense	110,800	90,800	101,273	(10,473)
Capital Outlay	60,000	20,000	6,360	13,640
<b>Total Expenditures</b>	<b>515,868</b>	<b>518,797</b>	<b>427,315</b>	<b>91,482</b>
Excess (deficiency) of revenues over (under) expenditures	(122,368)	(125,297)	(169,351)	(44,054)
Other Financing Sources				
Transfer from General Fund	-	9,442	9,442	-
Total Other Financing Sources (Uses)	-	9,442	9,442	
Net Change in Fund Balances	(122,368)	(115,855)	(159,909)	(44,054)
Fund Balance July 1, 2003	181,739	159,909	159,909	-
<b>Fund Balance June 30, 2004</b>	<b>\$ 59,371</b>	<b>\$ 44,054</b>	<b>\$ -</b>	<b>\$ (44,054)</b>

City of Allen Park  
Drug Law Enforcement Fund  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
July 1, 2003 to June 30, 2004

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Forfeited Monies	\$ 100,000	\$ 233,949	\$ 133,949
Interest Income	5,000	3,356	(1,644)
Miscellaneous	5,000	17,634	12,634
<b>Total Revenues</b>	<b>110,000</b>	<b>254,939</b>	<b>144,939</b>
<b>Expenditures</b>			
Court & Attorney Costs	1,500	121	1,379
Personal Services and Benefits	165,441	197,438	(31,997)
Insurance	2,800	-	2,800
Vehicle Maintenance	500	175	325
Miscellaneous	1,000	13,057	(12,057)
Education and Training	-	1,169	(1,169)
Capital Outlay	52,000	108,445	(56,445)
<b>Total Expenditures</b>	<b>223,241</b>	<b>320,405</b>	<b>(97,164)</b>
Excess (deficiency) of revenues over (under) expenditures	(113,241)	(65,466)	47,775
Fund Balance July 1, 2003	422,438	422,438	-
<b>Fund Balance June 30, 2004</b>	<b>\$ 309,197</b>	<b>\$ 356,972</b>	<b>\$ 47,775</b>

City of Allen Park  
Ecorse Creek Pollution Abatement Drain No. 1, Phase 1  
Debt Retirement Fund  
Statement of Revenue, Expenditures and  
Changes in Fund Balance - Budget and Actual  
July 1, 2003 to June 30, 2004

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue</b>			
Interest Income	\$ 1,000	\$ 306	\$ (694)
<b>Total Revenue</b>	<u>1,000</u>	<u>306</u>	<u>(694)</u>
<b>Expenditures</b>			
Debt Service:			
Interest Expense	3,973	-	3,973
<b>Total Expenditures</b>	<u>3,973</u>	<u>-</u>	<u>3,973</u>
Excess (deficiency) of revenues over (under) expenditures	(2,973)	306	3,279
Other Financing Sources (Uses):			
Transfer to Water & Sewer Fund	-	(51,638)	(51,638)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(51,638)</u>	<u>(51,638)</u>
<b>Net Change in Fund Balance</b>	<u>(2,973)</u>	<u>(51,332)</u>	<u>(48,359)</u>
<b>Fund Balance-</b> July 1, 2003	<u>51,332</u>	<u>51,332</u>	<u>-</u>
<b>Fund Balance</b> June 30, 2004	<u>\$ 48,359</u>	<u>\$ -</u>	<u>\$ (48,359)</u>

City of Allen Park  
Ecorse Creek Pollution Abatement Drain No. 1, Phase 2  
Debt Retirement Fund  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
July 1, 2003 to June 30, 2004

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Interest Income	\$ 2,000	\$ 1,561	\$ (439)
<b>Total Revenues</b>	<b>2,000</b>	<b>1,561</b>	<b>(439)</b>
<b>Expenditures</b>			
Tax adjustments	-	13,948	(13,948)
<b>Total Expenditures</b>	<b>-</b>	<b>13,948</b>	<b>(13,948)</b>
Excess of Revenues over (under) Expenditures	2,000	(12,387)	(14,387)
Other Financing Sources (Uses):			
Transfer to Water & Sewer Fund	-	(262,515)	(262,515)
Total Other Financing Sources (Uses)	-	(262,515)	(262,515)
Net Change in Fund Balances	2,000	(274,902)	(276,902)
Fund Balance July 1, 2003	274,902	274,902	-
<b>Fund Balance June 30, 2004</b>	<b>\$ 276,902</b>	<b>\$ -</b>	<b>\$ (276,902)</b>

City of Allen Park  
Downriver Sewage Debt Fund  
Statement of Revenue, Expenditures and  
Changes in Fund Balance - Budget and Actual  
July 1, 2003 to June 30, 2004

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue</b>			
Interest Income	\$ 400	\$ 118	\$ (282)
<b>Total Revenue</b>	<b>400</b>	<b>118</b>	<b>(282)</b>
<b>Expenditures</b>			
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of revenues over (under) expenditures	400	118	(282)
Other Financing Sources (Uses):			
Transfer to Downriver Sew.Fund	-	(34,887)	(34,887)
Transfer from General Fund			
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(34,887)</b>	<b>(34,887)</b>
<b>Net Change in Fund Balance</b>	<b>400</b>	<b>(34,769)</b>	<b>(35,169)</b>
<b>Fund Balance-</b>			
July 1, 2003	34,769	34,769	-
<b>Fund Balance-</b>			
June 30, 2004	\$ 35,169	\$ -	\$ (35,169)

City of Allen Park  
Capital Improvement Fund  
Statement of Revenue, Expenditures and  
Changes in Fund Balance - Budget and Actual  
July 1, 2003 to June 30, 2004

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue</b>				
Interest Income	\$ 500	\$ 500	\$ 166	\$ (334)
<b>Total Revenue</b>	500	500	166	(334)
<b>Expenditures</b>				
Capital Outlay:				
Building Maintenance	-	25,000	1,069	23,931
Equipment	-	-	36,413	(36,413)
Vehicles	51,000	51,000	-	51,000
<b>Total Expenditures</b>	51,000	76,000	37,482	38,518
Excess of Revenues over (under) Expenditures	(50,500)	(75,500)	(37,316)	38,184
Other Financing Sources (Uses):				
Transfer to General Fund	-	-	(56,697)	(56,697)
Transfer from General Fund	50,000	76,000	76,000	-
<b>Total Other Financing Sources (Uses)</b>	50,000	76,000	19,303	(56,697)
Net Change in Fund Balances	(500)	500	(18,013)	(18,513)
Fund Balance				
July 1, 2003	17,759	18,013	18,013	-
<b>Fund Balance</b>				
<b>June 30, 2004</b>	<b>\$ 17,259</b>	<b>\$ 18,513</b>	<b>\$ -</b>	<b>\$ (18,513)</b>



City of Allen Park  
Community Center Construction  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
July 1, 2003 to June 30, 2004

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
State Grant	\$ -	\$ 450,000	\$ 450,000
Interest	-	25,464	25,464
<b>Total Revenues</b>	-	475,464	475,464
<b>Expenditures:</b>			
Interest	-	12,498	(12,498)
Capital Outlay	-	-	-
Community Center	-	\$ 5,075,308	(5,075,308)
<b>Total Expenditures</b>	-	5,087,806	(5,087,806)
Excess of revenues over (under) expenditures	-	(4,612,342)	(4,612,342)
<b>Other Financing Sources and (Uses):</b>			
Proceeds from Revenue Bonds	-	1,575,000	1,575,000
Transfer to Comm. Ctr. Debt Fund	-	(23,676)	(23,676)
<b>Total Other Financing Sources and (Uses)</b>	-	1,551,324	1,551,324
<b>Net Change in Fund Balance</b>	-	(3,061,018)	(3,061,018)
Fund Balance - July 1, 2003	-	4,500,056	4,500,056
<b>Fund Balance -June 30, 2004</b>	-	1,439,038	1,439,038

City of Allen Park  
Water and Sewer Fund  
Statement of Revenue and Expense  
Budget and Actual  
July 1, 2003 to June 30, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenue</b>			
Water Sales	\$ 3,200,000	\$ 2,503,168	\$ (696,832)
Water Costs	1,700,000	1,546,939	153,061
Net Water Operating Revenue	1,500,000	956,229	(543,771)
Sewage Sales	3,100,000	2,484,121	(615,879)
Sewage Costs	1,770,000	1,803,342	(33,342)
Net Sewer Operating Revenue	1,330,000	680,779	(649,221)
Total Revenue Net of Cost	2,830,000	1,637,008	(1,192,992)
Other Revenue	255,500	89,180	(166,320)
Total Operating Revenue Net of Cost	3,085,500	1,726,188	(1,359,312)
<b>Operating Expense</b>			
Operations	3,106,226	897,816	2,208,410
Maintenance Expense	761,000	683,816	77,184
Depreciation	1,000,000	992,061	7,939
Total Operating Expense	4,867,226	2,573,693	2,293,533
Net Income (Loss) from Operations	(1,781,726)	(847,505)	934,221
Other Income (expense):			
Gain on Sale of Assets	1,000	109,400	108,400
Interest Income	15,000	36,482	21,482
Interest Expense	(685,859)	(498,711)	187,148
Transfer from Downriver Sewage Fund	-	465,943	465,943
Transfer from Ecpad 1	-	51,638	51,638
Transfer from Ecpad 2	-	262,515	262,515
Consent Judgment-Sewers	1,372,000	1,543,865	171,865
Miscellaneous Revenue		326,851	326,855
Total Other Income (Expense)	702,141	2,297,983	1,595,842
Net Income (Loss)	\$ (1,079,585)	\$ 1,450,478	\$ 2,530,063

City of Allen Park  
Water and Sewer Fund  
Ecorse Creek Basin  
Statement of Revenue and Expense  
Budget and Actual  
July 1, 2003 to June 30, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenue</b>			
Flat Charge	\$ 390,000	\$ 388,970	\$ (1,030)
Flow Charge	110,000	90,124	(19,876)
Total Operating Revenue	500,000	479,094	(20,906)
<b>Operating Expense:</b>			
Personal Services	220,000	154,269	65,731
Overtime	30,000	38,627	(8,627)
Retirement Contribution	240,000	137,747	102,253
Compensated Absences	3,000	(9,295)	12,295
Equipment Rental	2,000	-	2,000
Office Supplies	1,000	267	733
Operating Supplies	2,000	362	1,638
Contract Services	2,000	53	1,947
Telephone	3,000	2,662	338
Fire & Liabilities Insurance	12,000	8,537	3,463
Utilities	50,000	48,500	1,500
Miscellaneous	1,000	5,374	(4,374)
Depreciation	100,000	68,326	31,674
Total Operating Expense	666,000	455,429	210,571
<b>Maintenance Expense:</b>			
Building	20,000	6,772	13,228
Equipment	15,000	15,362	(362)
Vehicle	15,000	6,041	8,959
Sewers	110,000	122,128	(12,128)
Total Maintenance Expense	160,000	150,303	9,697
Total Operating Expense	826,000	605,732	220,268
Net Income (Loss) From Operations	(326,000)	(126,638)	199,362
<b>Other Income (Expense):</b>			
Intergovernmental Charges	(30,000)	(57,623)	(27,623)
Total Other Income (Expense)	(30,000)	(57,623)	(27,623)
Net Income (Loss):	\$ (356,000)	\$ (184,261)	\$ 171,739

City of Allen Park  
Water and Sewer Fund/Ecorse Creek Basin  
Statement of Revenue, Expense and  
Changes in Net Assets - Budget and Actual  
July 1, 2003 to June 30, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Net Income (Loss):			
Water & Sewer Operating Schedule	\$ (1,079,585)	\$ 1,450,478	\$ 2,530,063
Ecorse Creek Basin Operating Schedule	(326,000)	(184,261)	171,739
Net Income (Loss) for the System	(1,405,585)	1,266,217	2,701,802
Net Assets, July 1, 2003	13,694,337	13,694,337	-
Net Assets, June 30, 2004	\$ 12,288,752	\$ 14,960,554	\$ 2,701,802

City of Allen Park  
Downtown Development Authority Fund  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
July 1, 2003 to June 30, 2004

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Current Taxes	\$ 975,000	\$ 1,045,687	\$ 70,687
Investment Interest	9,000	6,568	(2,432)
Miscellaneous Income	23,200	35,337	12,137
<b>Total Revenue</b>	<b>1,007,200</b>	<b>1,087,592</b>	<b>80,392</b>
<b>Expenditures</b>			
Engineering Services	-	2,640	(2,640)
Personal Service	46,700	62,354	(15,654)
Employee Benefits	4,700	4,770	(70)
Office Supply	1,200	982	218
Operating Supplies	2,000	4,841	(2,841)
Management Services	2,400	36,355	(33,955)
Audit & Financial Service	2,100	8,957	(6,857)
Legal Services	6,000	16,418	(10,418)
Printing & Publishing	2,000	821	1,179
Site Improvements	300,000	59,041	240,959
Fire & Liability Insurance	3,000	3,181	(181)
Utilities/Telephone	32,400	16,761	15,639
Building Maintenance	155,000	64,853	90,147
Tax Adjustments	2,000	19,891	(17,891)
Computer/Office Equipment	1,500	32,449	(30,949)
Facade Improvement Program	55,500	-	55,500
Miscellaneous	46,200	31,921	14,279
<b>Total Expenditures</b>	<b>662,700</b>	<b>366,235</b>	<b>296,465</b>
<b>Total Revenue Over (Under)</b>			
Expenditures	344,500	721,357	376,857
<b>Other Financing Sources (Uses):</b>			
Transfer to D.D.A. Bond			
Proceeds from Sale of fixed assets	-	305,000	305,000
Debt Retirement Fund	(879,800)	(787,177)	92,623
<b>Total Other Financing Sources (Uses)</b>	<b>(879,800)</b>	<b>(482,177)</b>	<b>397,623</b>
<b>Net Change in Fund Balances</b>	<b>(535,300)</b>	<b>239,180</b>	<b>774,480</b>
Fund Balance, July 1, 2003	1,046,957	1,046,957	-
<b>Fund Balance, June 30, 2004</b>	<b>\$ 511,657</b>	<b>\$ 1,286,137</b>	<b>\$ 774,480</b>

City of Allen Park  
Downtown Development Authority  
1992 D.D.A. Bond Debt Retirement Fund  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
July 1, 2003 to June 30, 2004

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Investment Interest	\$ 3,000	\$ 2,417	\$ (583)
<b>Total Revenues</b>	<b>3,000</b>	<b>2,417</b>	<b>(583)</b>
<b>Expenditures</b>			
Bond Principal	195,000	125,000	70,000
Bond Interest	79,000	141,023	(62,023)
Agency Fees	300	650	(350)
Loan Principal	574,800	576,369	(1,569)
Loan Interest	37,700	33,730	3,970
<b>Total Expenditures</b>	<b>886,800</b>	<b>876,772</b>	<b>10,028</b>
<b>Total Revenue Over (Under) Expenditures</b>	<b>(883,800)</b>	<b>(874,355)</b>	<b>9,445</b>
<b>Other Financing Sources(Uses):</b>			
Transfer from D.D.A. Fund	879,800	787,177	(92,623)
Bond Proceeds	-	2,340,000	2,340,000
Cost of Issuance	-	(60,727)	(60,727)
Expense of Sale	-	(18,205)	(18,205)
Defeased Debt Payment	-	(2,285,000)	(2,285,000)
<b>Total Other Financing Sources(Uses)</b>	<b>879,800</b>	<b>763,245</b>	<b>(116,555)</b>
<b>Net Change in Fund Balances</b>	<b>(4,000)</b>	<b>(111,110)</b>	<b>(107,110)</b>
Fund Balance, July 1, 2003	426,302	426,302	-
<b>Fund Balance, June 30, 2004</b>	<b>\$ 422,302</b>	<b>\$ 315,192</b>	<b>\$ (107,110)</b>

CITY OF ALLEN PARK  
WAYNE COUNTY, MICHIGAN  
COMMENTS AND RECOMMENDATIONS  
JUNE 30, 2004

# DARNELL & MEYERING, P.C.

*Certified Public Accountants*

20600 EUREKA ROAD • SUITE 900

TAYLOR, MICHIGAN 48180

(734) 246-9240

FAX (734) 246-8635

CLINTON MEYERING, C.P.A.  
RANDALL H. DARNELL, C.P.A.  
DALE A. VESTRAND, C.P.A.  
WENDY L. ZOKOE, C.P.A.

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

October 29, 2004

The Honorable Mayor and  
Members of the City Council  
City of Allen Park  
16850 Southfield  
Allen Park, MI 48101

We have audited the financial statements of the City of Allen Park for the year ended June 30, 2004 and have issued our report dated October 29, 2004. As part of our audit, we reviewed the City's accounting procedures and system of internal control to determine the nature, timing, and extent of the auditing procedures necessary to express an opinion on the annual financial statements.

The objective of internal control is to provide reasonable, but not absolute assurance as to: 1) the safeguarding of assets against loss from unauthorized use or disposition, 2) proper division of duties between various employees to provide a reasonable check upon transactions and, 3) the reliability of financial accountability for assets.

We would like to note, based on the prior years comments and recommendations that the following changes have been made:

1. The collection fund is now being reconciled and closed within a reasonable time after the end of the tax collection period.
2. The delinquent personal property tax collections are now being distributed to the various governmental units on a timely basis.
3. The investment for the sewer bond indebtedness is now set up in a reserve account.

The following are comments and recommendations that we have at this time:

1. Comment.

Again, various activities in the general fund and special revenue funds were over expended as compared to the budget.



Recommendation:

The City approves its budget at the activity level; therefore, budget adjustments should be made prior to the fiscal year ended June 30, 2004 to remain in compliance with the budgeting act.

2. Comment:

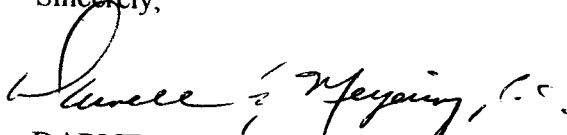
Again the bank account, in the payroll fund, was not reconciled on a monthly basis.

Recommendation:

The payroll fund bank account balance should be reconciled to the fund's general ledger balance on a monthly basis.

The above comments and recommendations are presented for your consideration. If there are any questions regarding these matters of internal control we would be glad to discuss them with you at your earliest convenience.

Sincerely,



DARNELL & MEYERING, P.C.